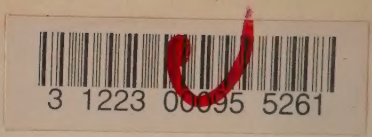

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SOCIALISM: CRITICAL AND CONSTRUCTIVE

SOCIALISM: CRITICAL AND CONSTRUCTIVE

by

THE RT. HON.
J. RAMSAY MACDONALD, P.C., M.P.

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NOTE TO THE POCKET EDITION

SINCE THIS book was first published, a Labour Government has been in office and its methods of handling national affairs and the results, are matters of recorded history. They illustrate and enforce the outlook of the book. Socialism is not only a constructive criticism of society as we experience it, with its successes and its failures, but a method of action; and that method is to transform by evolutionary changes. The diseases of society, like unemployment, arise from deep seated failures of the body politic to function, and the political cures that are offered must, therefore, be attempts to invigorate and balance the sum total of our national life. That is the meaning and purpose of political programmes.

Therefore it is, that the old observation which was supposed to knock Socialist thinking and effort on the head, that there has never been a successful Socialist State, is irrelevant to the whole issue. We might as well say that there has never been a successful Capitalist State, which is perfectly true if we take any good standard of general well-being into account—or that there never had been a successful flying machine before the first one.

What we see going on under our eyes is a vast co-ordination of economic power and a general agreement that that power cannot be left in the hands of private interests but must be controlled. We have reached the phase in the evolution of economic power when the conflict between private interests and public control arises.

The question has become one of practical politics and administration, and has passed beyond the stage of theoretical argument. Consequently the question as to whether there has ever been a successful Socialist State has nothing to do with the one of whether in the due process of development public control as a matter of fact must replace that of private interest. Members of the present Conservative government would certainly answer the first question in the negative, but they have repeatedly answered the second in the affirmative—for instance, by their Electricity Act.

Every industrial state shows this same tendency. I have recently returned from a visit to Canada when every day some successful advance on Socialist roads came under my notice. Vast areas of thousands of square miles are being withdrawn from private exploitation and are made into public parks in order to preserve the beauties, the flora and the fauna of the country, all of which are being sacrificed under private control; a nationalized railway, based upon an almost bankrupt system of privately owned lines, has become an efficiently managed and paying concern capable of standing up to one of the richest and most competently run railway corporations in the world; national steamships serve the community and prevent extortionate freightage rates whilst developing inter-imperial trade; a network of services, even down to film production, is also in the hands of some kind of State ownership or public control.

But perhaps the most interesting example of this is the Hydro-Electric Commission which supplies power in Ontario, and owns ten Niagara Power Stations. This invaded a virgin field which promised to yield a rich

arvest to private interests. Over twenty years ago ertain Ontario municipalities, foreseeing the toll which ivate interests would impose on them, decided to supply emselves with electric power, and legislation was ssed setting up a public Commission to undertake the ork. Furious were the criticisms on the undertaking, pecially from over the United States' border, whence e capital was to come to start the exploiting ventures. he public commission produced and supplied power ore cheaply than the private companies, cut prices, d extended the service at cost into rural districts. ne threatened interests strove hard to suppress the cialist rival and twice compelled it to turn with special termination to rend the Baalams who had been sent om the United States to curse it—once, in 1925, when e Smithsonian Institution published a report which e Commission's reply described as, and proved to be, tissue of misrepresentations and unfounded criticisms"; d again when the National Electric Light Association New York issued a "Murray Report" on the Ontario terprise. The Commission examined the Report int by point and with overmastering refutation—cluding proof of a misquotation of a statute and a sification of figures—dismissed it in this sentence:

"Inasmuch as the 'Murray Report' has been shown o be permeated by misrepresentations and unjust tatements, it is, after all, seen to be but one more of hose impotent attempts which, from time to time, nave been made to discredit the outstanding achievements of the co-operating Hydro-Electric Municipalities of the Province of Ontario."

The Commission began to supply power in 1910 to twelve municipalities; it now supplies 550. In 1910, it distributed 1,000 horse-power; to-day it distributes 1,000,000 and is developing up to 1,400,000. The total horse-power used in the Dominion is 5,100,000.

Whoever wishes to study the meaning of Socialism as a creative influence upon political thought and administrative action had better turn to such movements as I have referred to, and not to Plato's "Republic" or New Harmony Settlements.

J. Ramsay MacDonald

September, 1928.

PREFACE

IN ISSUING a new edition, a few notes have been added bringing one or two statements up to date. Socialism still remains a bogey to a considerable remnant. The somewhat deteriorated methods of party political controversy have led, especially since the Labour Party came into prominence, to a use of Socialist literature which indicates that in anti-Socialist headquarters it has fallen under the scrutiny of people who are either peculiarly stupid or peculiarly dishonest. When every new and unfamiliar idea is seized upon and broadcasted for the purpose of creating prejudice, and is annotated and commented upon for the purpose of rousing ignorance and fear into activity, ephemeral party gains may be recorded. It is a sorry game to play, however, and its results will have to be paid for dearly.

There are grades in the heinousness of the offence, ranging from the disreputable slanders that Socialism means the nationalization of women, to the muddle-headed attacks that have been made from Front Benches in the House of Commons, on the ground that Socialists believe that the credit power should be held by an organ acting not for private advantage but for general industrial well-being. The reason for the muddle-headedness of the latter is that the Socialist method of transformation is not at all understood by those whose only interest in it is the advantages it gives to political leaders, who are willing to build up majorities on ignorance and fear.

The Socialist transforms by the well-defined processe which a living social organization allows. He does no stop the life of Society in order to try new experiment or to put a brand-new system into operation. The pledges he gives do not concern his achievements of the morrow so much as the purpose which underlies and impregnates all his continuing action. He has ideal and they guide him, and he rejects everything of the nature of violent breaks and brand-new systems. He is an evolutionist *par excellence*, and even though he knows that the resistance of interests and log-like mind may defeat his methods at times, he remains an evolutionist because he is convinced that when revolutionary methods have done their work, the people whom reaction has victimized, by imposing a revolution upon them, will have to return to evolutionary transformation so soon as they have gained freedom. To him, Russian Bolshevism is but an interlude in Tsarism, and British Toryism an obstructing but moving mass of interest and mind. The revolutionary and materialistic frame of mind created by the war have been a serious menace to the Socialist spirit of common service. Profiteering has become universal and action has shown a deplorable tendency to centre in self. The evil has not been confined to the classes generally designated as "profiteers," but has infected all sections. That workmen should not tolerate without a struggle to remedy their conditions, which are not only hard but unjust is good, but in their struggles to secure their ends they are tempted to forget that they are all interdependent members of a social unity, and that consequently they only injure themselves by punishing those against

whom they have a grievance to such an extent that they injure the Society to which they belong. The Trade Unionist has the same limitation imposed upon him in this respect as the Capitalist—he cannot advance his interests at the expense of his Society. No system of thought except Socialism not only makes these limitations of wise action clear, but indicates the method by which Labour may obtain justice. It cannot be over-emphasized that public doles, Poplarism, strikes for increased wages, limitation of output, not only are not Socialism, but may mislead the spirit and the policy of the Socialist movement. Socialism calls men to give unstinted service in return for a reasonable reward measured in terms of life, and no one should be more impatient than the Socialist with the fallacy that a man cannot be expected to give the service before he gets the reward. The Socialist, therefore, looks with some misgivings upon some recent developments in the conflicts between Capital and Labour. They are contrary to his spirit; he believes they are both immoral and uneconomic and will lead to disaster. It is only when the worker by brain or by hand does his best for society that he will create in Society that sympathy and support without which the Labour movement will never attain its goal.

J. Ramsay MacDonald

June, 1924

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SOCIALISM: CRITICAL AND CONSTRUCTIVE

Chapter I

ORDER AND PROGRESS

HABIT AND REASON

TWO GREAT forces are ever in conflict in the breast of Society—habit, the force of stagnation; and reason, the force of change. The former is commonly misinterpreted and miscalled the conservative force, whereas it is the force which resists life and ultimately ends in decay. The true conservative forces are not static, but are those which carry on life, adapting it to new conditions, producing new organs when new functions have to be performed, substituting new vitalities for spent ones, revolutionary in the sense that they see in the life of Society both the capacity for, and the promise of fundamental change, but anti-revolutionary in the sense that they strive to bring about these changes by a never-ending organic adaptation. The movement that fulfils is the only true movement of conservation.

In abnormal times—times when the errors of years and perhaps of generations have accumulated and can accumulate no more—this conflict breaks out in violence. Order has become bonds which must be broken, a

containing vessel which must be burst; but when violence has done its work, and the life that has been liberated like a flood is gathered again into channels, the two forces return to their eternal task. The running waters lap and fret against the sides of their beds, and the beds resist their impatience; the life of Society swells in its institutions and its fixed order, whether political or economic, and the fixed order, whilst yielding, yet controls, whilst responding, yet turns away.

Habit blinds us so that we may be its most unquestioning servants and it is only by an effort of will that we understand how great is this conflict between it and ideas. The mass of people are indifferent or are merely agitated. They dream in spurts and with the morning no remnant of the dream remains. Their interests are too much like a tide flowing hither and thither, obedient to every attractive moon. They are responsive to suggestion, and primitive in their impulses. The masses retain the love of primitive man for gaudy ornament and sparkling plaything. The childhood of the race is far behind in years, but nigh at hand in mood. Put it on its defence and the crowd is brutal, put it at its ease and it is prodigal in its magnanimity. Play on its fears and it gives an immediate response, for fear still lies upon it as the shadow of the unknown and the unfamiliar within whose bounds dwell superstition and credulity.

On the other extreme there is the section which has grown beyond the crowd psychology, which is sceptical in belief, which has placed reason as a guard to challenge everything seeking to pass into creeds, which reflects upon problems, which is for ever constructing new things

out of old and perfect things out of imperfect. Its danger is that it may be too rational. It forgets habit and tradition; it forgets its historical inheritance; it forgets that the material upon which change and reason have to work is that of the society into which men were born; it forgets that no generation can build save on the foundations left for it, or modify save upon the structures which it inherited. This is the section that wishes us to believe that life can be changed by revolution and that idealism is something absolute. But it is the part of practical reason not to seek the absolute nor a vacuum. In its dreaming it never forgets life. Into all wise forecasting and anticipating the experience of the past enters as largely as the reason of the future. In the walls of every City of God which the practical reason builds are the stones of the cities of men from which it would flee. It is troubled by contradictions in thought and action, in precept and conduct, in obvious improvements and in stubborn faults, and it labours to reconcile and transform. The sections thus moved are they who would conserve by change—conserve life by fashioning anew the ways in which life expresses itself. From time to time, they appear in different movements as the life of Society surges through this interest and that, sometimes when the life of the spirit is in flood they are religious reformers, sometimes when it is political life that is agitated, they are politicians, sometimes when it is industrial and economic things that are alive, they are social reformers. So, in history, they are known under many names. To-day, they include the leaders, and their thoughts are the substance, of the Socialist movement.

These last people are an offence to the numerous class which does not relate its life to its thought, its conduct to its ideas, its work and effort to its principles. This class is blind to the contradictions between the two great departments of human activity—the day-to-day activity of living men in their economic and class relationships, and the activity of mind and spirit. It does not think of consequences, of harmonies, of unities. It lives in different and unreconciled states, and passes from one to the other as a man passes from his own house to a theatre, or from his business to his dinner. "Now that's done; let me turn to something else." Its Sunday is different not only in time and occupation from its Monday, but belongs to a different order of being and of life. Its interests and obligations are in watertight compartments. It is sure that, if, on the day of judgment, evidence on purely secular conduct is to be held in order, it can stand on a plea of economic necessity, as Germany thought that military necessity justified its invasion of Belgium. And yet there can be no dual standard in morality and reason. This section, with the indifferent or impulsive mass to which I have first referred, is that which is ruled by habit, which would remain quiescent, which always threatens to become the dead wood of the tree. When it is too powerful in the community it brings revolutions, because it makes ineffective the means provided for ordered change. The purely rational section which grows in spite of it must always be a small one. The growing cells of a plant are always tiny as a group. But when in Society the resistance of habit becomes too great, the insistence of growth, finding no outlet, becomes

too strong, and at the moment of its apparent greatest power, habit is overwhelmed.

The discrepancy between reason and habit is very much greater than most people without thinking about it generally suppose. Were someone to come upon this earth with a totally fresh mind, he would see it. If he took an interest in our religion, he would find that we had a gospel which means nothing if not that in life the Kingdom of God must be sought above all else, and that absorbing material pursuits make man gross and lead them far astray in their search after that which satisfies and elevates man. He would find that we believe that; but that whilst we believe we deny and enter heartily into the aims and ambitions of a civilization as frankly materialist as any that the world has ever known, or that the laws of righteousness have ever brought to ruin. He would be told that the whole of our processes of production, exchange and consumption are kept going by men's freedom of initiative and by the security that men have in acquiring wealth by labour, but on inquiry into the facts he would find that initiative is confined to a very few, that economic organization limits that initiative more and more, that to the vast majority of the people there is no such thing as property beyond what may satisfy needs from week to week, and enable them to have a Bank Holiday on Hampstead Heath three times a year, or an annual rout of a week at Blackpool or the Isle of Man. He would be told that our nation and our people's morality were built up on the family, and, when he visited this precious unit of the social spirit and of communal organization, he would find that for generations it had no place wherein

it could grow and no economic basis upon which to rest. He would hear us talk of ourselves as an Imperial people, and would find that only the very smallest percentage of our adults had any knowledge that enabled Imperial language to mean anything to those who used it, or that they held opinions of the least value on world affairs, whilst the organs of popular opinion gave almost exclusive attention to things that did not matter lest they should drop their circulation by dealing with important topics. Had his visit taken place during the past few years, he would have found us setting up the most admirable standards of rectitude, and judging other peoples by them whilst declining to apply them to ourselves. (He would have found this in all peoples and not merely in us.) Would he examine closely into the more immediate events of the day he would find on our lips the fine sentiments and aspirations which moved the crowds during the opening of the war and made men flock to our battle standards, whilst our hands and brains were busy oblivious to the utterances of our lips. In the two great concerns of life—what should be the aim and spirit of the individual and what motives keep Society together—this inquirer would find the replies of the mouth and the conduct in violent variance.

In all the discussions on whether there is such a thing as progress, this conclusion emerges. In moral perception and in intellectual equipment the difference between civilization and what preceded it is either very slight or non-existent. There may be new discoveries which increase knowledge and which light in greater flames moral truth, but in the main they affect outward things, and often, by giving greater opportunities to

ubordinate man, confine progress to superficials—
ubstitute a mattress for a board in his prison-cell bed.
The power of knowledge, of science and of invention
nay subdue nature to man but, when used for the special
dvantage of sections of Society, recaptures man to a
ervitude to things; and the systems of relationship
vhich are then established, instead of being progressive
rom a human point of view, are systems of continued
ubjection. Savage man was subject to nature; civilized
nan is subject to the powers which he himself has created.

Interests are set up that divide Society into classes
ike capital and labour, and into competing groups as
nations so often are, and the power of knowledge, like
he power of money, is perverted from social ends and
contributes only to personal and to class ones. This
division is one for material advantage only, but it becomes
n accepted order and all accepted orders produce their
own justifications. Whatever is, tends to become right
by producing its own habits, and a society composed of
owners and workers, of rich and poor, is assimilated
by habit just as a new house on a hill side in time becomes
part of its surroundings. Thus, in modern Society we
have the habit of the crowded, over-worked and under-
nurtured town area, and of the wealthy, luxurious and
leisured West End; the habits of the expensive public
school and the riotous, noisy, mechanical elementary
school; the habits of one going into the counting-
house, and the others going into the factory; the
habits of profit makers and wage earners. These produce
different class psychologies based on the fact that the
system is a going concern. The system creates its own
ambitions, its own standards of success, and above all,

its own myths for its justification. The wealthy who have "arrived," love to become titled and pay heavily for it ; the poor, who are rising, find happiness in living as the section above them does. Each class has its imitators, classes that look up to it and model themselves upon it. For instance, when one thinks of the middle-class mind, one has to search for it not only in the actual middle class itself, but also in considerable sections of the working class. In this way, a divided Society obscures its divisions and protects itself against the reformer. The evils of division persist because they hide themselves behind attractive screens. To whomsoever looks at reality, the fact remains that the moral dicta by which men individually and in community should be ruled, have become ineffective, and are mere Sabbath texts, for whilst these dicta assume the unity of the family of man and the divine nature of human qualities with all the rights that these imply, that unity does not exist and that divinity is not recognized. Not in these dicta is the real treasure and therefore not in them is the heart. Thus, progress is thwarted, and the advances made in human knowledge and skill are diverted on to material planes, and do not fructify in personal excellence of mind and character, nor in social gain and happiness. Society to-day is occupied with the pursuit and possession of things, and its ideals are the false distinctions which materialism must always offer as substitutes for human qualities.

THE CHALLENGE OF REASON

Nevertheless, such a condition of things cannot exist without challenge, however feeble the challenging voice

may seem to be. The moral imperatives can never be inactive, nor kept in silent bondage so long as men are born. They will always trouble an alien order and be conspirators in its midst. However limited progress may be as yet, this generation knows more of it, and is seeking after it more than the last. Better nurture, truer education, more stimulating surroundings, a higher average of knowledge especially in matters relating to history and economics, are moving the hearts of the people to go out upon new pilgrimages in search of better things, and are bringing reason more frequently to challenge settled habit. Amongst the guides being selected for these pilgrimages the most favoured is that which points the way to communal organization. At a time when the influence of the Churches has sunk to a very low level, the influence of the Christian spirit steadily extends. And it has become a social regenerating force as well as an individual saving one. It is being supplied as a law to which our system of social relationships should conform. It is being consulted as an adviser rival to the materialist councillors who have hitherto led us. It is making us examine our whole social fabric from top to bottom, both in its design and in the materials of which it is constructed. Thus timorous people say we live in a revolutionary age, and in fear fall back upon authority, habit and violence. Materialism's last defence against reason is repression.

The war, not only by smashing up old things but by teaching men many truths which they would not have believed had Moses returned from the dead to preach them, has not only made very drastic change possible, but has produced frames of mind that tolerate with

angry impatience the injustices of the existing order of class and property domination. The state in which Europe is to-day is ominous. Society has been rent and civilization has been riven. A settled order of politics, of governments, of production and international exchange has been absolutely destroyed, and the peoples have returned to the social and mental chaos of pre-mediæval times. In the midst of these earthquake upheavals both in States and in the minds of men, the peoples of the more favoured countries take too little warning by the cracks and crashes. They are surrounded by a great collapse and hardly know it. The distress, famine and bankruptcy may so weightily overwhelm people that they will be crushed and emerge broken, spiritless, enslaved ; these calamities, on the other hand, may rouse a mad wrath which will burst into revolution and hurl order into a deeper night. Whichever happens it will be evil, and against the spread of that evil every intelligent being and every disciple of progress must strive. Obedient to a blind fear, there are signs that the classes in authority may resort to repression and to police government. There lies calamity and disgrace. Were this country to resort to that, it would only degrade itself without protecting itself. It would return to methods which it has adopted of old, but of which we read with no pleasure and with neither gratitude to, nor respect for, those who were responsible for them. The reform movement, barred from its natural road of advance and deprived of its liberty of thought, expression and action, would become a destructive force within Society, blasting the outlets it requires, and in due time it would win. The incidents of the struggle, however,

would make but a sorry chapter in the history of the nation. Freedom, with all its threatenings, is the only guarantee of stability, not only because it is a safety-valve, but because the life of communities is one long process of adapting experience to thought and habit to reason.

Such is the claim which the Socialist makes to be heard.

Chapter II

SOCIETY AS IT IS

MORAL ASPECTS

WE MUST begin our study by considering things a they are, and it will be most appropriate in every wa to start with their moral aspect. However much mora imperatives may be obscured by economic and othe materialist interests, by expediencies and pressures, an by all that class of motive miscalled "the practical," man's sense of right and wrong and his appreciation o the spiritually appropriate remain on an unshakabl judgment seat from which the edicts are issued deter mining whether there is to be peace and happiness, o unsettlement and discontent in Society. The creativ powers of Society are in men's minds not in their pockets although the one may be in contact with the other Economic forces change the face of Society, its organiza tion and its temporary motives, and are for ever seeking to set up rival judges and judgment seats. But round them is an unceasing conflict and revolution. Their judgments have no acquiescent assent. They are the suborned decisions which authority can enforce or interest palm off for the time being, but which do not receive unques tioned acceptance. They are not taken as a last word They are the things which, when regarded as progress, make critical men doubt if there be such a thing as

rogress at all. They deal with outward forms not with ıbstance, with the processes of production and not ith the enjoyment of consumption, with advantage and ot with right, with machinery and not with men, with ealth and not with life. When great movements sue from them, when revolutions happen in them, the ıanges effected are not substantial, goals are missed, ıd no peace and no gain that men can accept as some-ıing good in itself can ensue. As the years go, people ırn back and ask themselves: For what benefit has it l happened? Society may have become more complex, ıe command over matter more complete, men's powers ıay have been augmented, the path of agitation eflected, but unsatisfied and condemning sits the judge f the mind and of the spirit, demanding that men must o deeper and look higher than economics, and that he ıall use them for human ends. Progress must find its ay into the mind of men and not concern itself only ith his circumstances.

SLAVERY

If people were asked what, from the moral and human oint of view, was the distinction between modern and ncient Society, they would with tolerable unanimity eply that it was the disappearance of slavery. Slavery s the legal ownership of one man by another has gone, nd in that sense men are free. Society does not confess o slavery now. Its declared law, however, is not the nly enslaving power contained in Society. The whole rganization of Society is coercive, and unless that rganization is the condition of liberty, men are not

free. The American Civil War liberated the slave fro
the auctioneer, but left him in the wage market whe
he was his own auctioneer. The auctioneering proce
was changed. The war purged American law of th
disgrace of recognizing slavery, but it did not fre
American Society from slave conditions. The histor
of our own working class records a struggle for freedo
from the grosser forms of oppression—the position
the chattel, of the labourer attached to the propertie
which he worked, of the workman bound by long co
tracts, of the wage-earner as the mere mechanical whe
in the capitalist machine—but, up to date, it has onl
succeeded in bringing him into that more intangibl
form of slavery—that fine network of entanglemen
woven by poverty and the immanence of poverty an
by an ever present dependence upon his day-to-da
work for his life. He cannot work, that is live, excep
by permission of those who are in possession of the land
the factories and the tools ; and those who control th
means of life, control men. His being able to find work
to use his abilities, to pursue his bent, do not depen
upon himself, but upon the working of a system o
which he is only a mechanical and irresponsible par
and which controls him as though it were a persona
tyrant. Supposing men were free but their hand
belonged to masters, Society would be a slave society
Now, a man's tools are part of himself just like his hands
We shall always be bound to human necessity ; we mus
always labour ; we must work that we may live. Tha
is not the complaint. It is that the workman has n
security and no command over himself or over th
economic system which is an essential part of that self

He is a thing of the whim, or the profit, of others. Boots may be required, as in times of unemployment, but the shoemaker cannot get a chance to make them and is upon his Union funds or is eating away his little savings. It may be perfectly clear that certain operations of production, after benefiting a few individually, are to upset markets and cause unemployment and distress, but the workman is bound to the machine and must accomplish his own undoing. In still more objectionable ways is he unfree. Unless he thinks with his employer or landlord he can be turned adrift; he is punished for his opinions; he is put upon a black list and may then trudge from factory to factory, but he finds nothing to do. Labour combinations have reduced the more gross and open forms of this victimization, and employers have discovered that it is some of their most competent workmen whom they would thus have to punish, and hesitate. Common sense has also come in to limit these practices. But the black list and the mental note to punish are still common, labour is still for sale on the market, and the workman finds himself beset behind and before by consequences which he cannot afford to face if he does what he considers to be his duty as a citizen, claims what he considers to be his rights as a workman, and exercises what he considers to be his freedom as a man. "Investigation has shown," says the report of an official enquiry into the working of a group of American capitalist combinations, "that the degree of political freedom which exists is conditioned by the industrial status of the citizens who form the majority of the community."

In this, however, he is but the victim of a system

which enmeshes the whole of Society, workman and employer alike. "Business," which should be the servant, has become the master of men. This will be dealt with more fully in the next section of this chapter, but here I must point out that the vast and intricate mechanism of production, exchange and distribution—of factory, market, and shop—has become as though it were a thing good and complete in itself, has become the task of men's lives, decides what relations men and nations are to bear to each other, and has imposed upon the whole of Society its rules and its expediencies, its working and its results, as though these expressed the ends of Society, were paramount to morals, and belonged to the eternal things of nature, and not merely to the temporary interests of classes of men. Essentially, this is of the nature of slavery, a slavery, perhaps, which is felt only when men have reached a fairly high state of intelligence, but a slavery which must cut keenly before men can proceed very far towards freedom, or Society become a rational organization to promote certain human ends.

PROPERTY

How men are enslaved to things and the organization of things in Society is plainly seen in the getting and holding of wealth. Wealth should be the reward of service, and its possession should mean enjoyment. To-day, neither of these things can be said of it. Its acquisition and retention have created organizations which act quite apart from social need or well-being, as I shall show, and which also set aside all moral con-

siderations. We justify property by the simple fact that it has been acquired; it is further acquired by using a certain mechanism of a purely economic character. In getting wealth, men do not require to be honest or to be useful. The industrial and financial machine is purely economic in its working, and whoever manages it must do so by its own rules. What so many people do not see is that the security for property does not consist in its having been acquired, but in its having been acquired in ways against which our sense of justice can make no charge. Property as such has no sacredness; it gets sacredness only when it represents service. When the defence of property is nothing more than a defence of economic interests, Society as a whole will never join in that defence though classes may. Property derived from the mere working of an economic machine—by stock exchange flutters, by financiers' operations, by the transformation of companies working on x capital into companies working on $x + y$ capital, by amalgamations, by profiteering on markets, by using opportunities to get rich—will never gain that respect which will secure it against attack. The visitor bent upon enquiry into our state would find that the vast bulk of our wealth was acquired without any reference to the moral requirement that service must be the reason why men possess, and production the only title to enjoyment. He would find that acquisition has nothing to do with merit, ownership nothing to do with moral justice. He would find a purely materialist economic organization, manipulated to enable men of certain capacity as economic engineers to acquire certain shares in the national wealth and certain liens on the national income. In certain

places of public resort he would come across a little machine into which you put a penny and pull a trigger. If you know how to manipulate it, or if you happen to have luck, you pull in such a way that you get more than the worth of your penny in return. If he were a man of reflective imagination, he would here see a simplified symbol of the great and the complicated economic machine which classes of people work to acquire wealth in Society.

This enquirer would observe, however, that the holders of wealth created conditions which seemed superficially to justify their existence but which certainly would not satisfy his fresh critical mind.

They may be masters of huge industries. For Society, he would see that they are of no more use than one of their under managers or one of their salesmen. They may be large shareholders. For Society, they are doing less than one of their day labourers. They create or maintain a system by which industrial capital is held by individuals, and then imagine that they are essential as one of these individuals. They can imagine no other way ; they assume there is no other way ; they justify themselves. What would befall Society, they ask, had they not saved, had they not accumulated, had they not provided capital ? The existence of a system, to them, is its justification. That is partly sound as to what has been, but it is not a justification for its continuance. When the trams of Glasgow were run by a private company, what invaluable service did not the owners of that company do to the people of Glasgow ! In what raptures could we not have appraised that service ! The trams were municipalized, however, the service was

improved, the workers were better treated, the fares reduced. And there were no shareholders, no individuals performing the essential service of giving to the Glasgow people a loan of their money. There were ratepayers, and managers, and tram conductors, and the second state was better than the first.

Nor is much of the wealth of benefit to the individual. Amongst the most deadly objections that can be taken to the present system is the utter uselessness, even when it is not, as it so often is, the positive harmfulness, of great masses of its wealth in terms of human use and enjoyment. The owner is not enriched; he is often impoverished. He may live in ease, or he may find that his life is spent in looking after his possessions, or his possessions may be so great that he can employ others to do that for him. A poor life at best—a useless life or an ostentatious one, where a man's friends are not those of his personality but of his table, his smoking-room or his business influence. He buys pictures and the stranger enjoys them; he rents deer forests and the trespasser sings for joy in them; he lives in a beautiful house without feeling its beauty. Such a man recently went to a friend of mine, a well-known dealer in second-hand books, told him he had bought a house with about one hundred and twenty feet of book-shelves in a library, and asked my friend to supply that breadth of book backs, "real good expensive stuff." His property gave delight to one whom he would regard as the embodiment of all earthly evil before it went into the degrading service of veneering his house. This desire to acquire inordinately, so far from being one of the virtues which keeps

[1]For a fuller discussion of this point *see* pp. 219 *et seq.*

Society alive, is a curse to those who have it and to the Society in which it operates. Its companion is vulgarity, not cultured leisure; waste, not beneficial use; loafing, not freedom to give the service which one's heart would give. Its triumph in a community is the blaze of the setting sun. Glibly did we say when the war came in 1914 that the community had become over luxurious, that great individual wealth had been bringing forth its natural progeny of sensuousness, and that one of the blessings of the war would be to make us wealthier and cleaner in spirit by subordinating the possession of property to social use and human values. I write at a time when the fields tilled and sown by war are full of mysterious sprouts of uncertain species and promise, but they forbid us to hope. What has grown up into immediate rankness is certainly not the virtue in expectation of which we consoled ourselves in 1914. We admit the evil; with foreboding we watch it. And yet because it springs from habitual conceptions of how wealth is acquired in our Society, because we shrink from applying our moral ideas to the economic machine, we resist all attempts to put our wealth holding on a footing that will at once make it secure and enable it to fructify in moral and spiritual gains both to the individual and Society.

Right down at the very source of conduct is this fatal poison. The social virtues which come of the order of civilization and the sense of the higher satisfactions which are embodied in and protected by religion, compel us to believe that mere material gains which are of the nature of accretions upon, when they are not aids to, personality cannot be ends in themselves. But

Society to-day is so constituted that the realities of life are hidden up under these material things, and a set of economic and business laws rule instead of spiritual ones. Human relations are not determined by human emotions but by economic results, social structure is not the architecture of men's minds but of economic mechanism. The gospels of Christianity in Society are like a thing of chaste beauty amidst the knick-knacks of our houses—something upon which to rest the weary and unhappy eye, something to upbraid the jaded mind for having somehow or other missed its way and its mark. Or, to put it differently, they are ranged on one side as the guides of the impractical idealist who will not accommodate himself to the real world, and against them are placed the practicalities of the economic machine, so that when the pulpit speaks faithfully to the pews, the pews have to content themselves by regarding the truth as merely metaphorical, or feel annoyed at doctrines which they take to be personal attacks. Of course, the pews often do not trouble at all. Habit hardens and deadens the mind as continuous manual labour hardens and deadens the hands.

Were this the last word, and were it possible for Society to become callous to the contradiction between its convictions of heart and its expediencies of conduct, and to be in its mind what it is in its form, a pure economic structure, there would be no struggle except that which competition and cupidity might provide. But this is not the last word. The convictions of the heart are never stilled. They not only are unsleeping in supplying standards of excellence alien to those in common use by which the work of Society is appraised, but also in their

demands that social structure shall be determined by the higher requirements and by nothing else. Thus we have an endless conflict between spirit and form, an unrest which can be satisfied by no charity, no concession, no compromise—a challenge ever sounding between labour representing the human spirit and Capitalism representing the economic organization. The Pluto which heaves beneath Society and which sends tremors through its apparently solid mass, is the spirit to which we do homage as Christianity. There lies the conflict. The end may be far off. It may be separated from these times by turmoil, revolution, madness. But the spirit will not die down, because it is one of the powers of creation. In our time it shows itself mainly in industrial unrest and in the growing sullenness of the refusal of labour to co-operate with capital in production. Those who attribute these things to purely material conflicts between Haves and Have-nots, miss their meaning, for they have a moral origin.

ECONOMIC ASPECTS

Society is also an economic system performing the two great functions of production and distribution. The system is based on land, restricted in its area and varied in its productive value, though by man's powers that variation becomes less and less. Science makes the sand dunes rich as river deposits; skill utilizes the remotest parts and turns them into vast workshops and markets. But land remains as it was created, a monopoly, and it is owned because its ownership enables a toll to be placed on industry. True rent is not a payment for

service rendered but the price of a permission to render service. That is the first thing.

Production depends on three main things: labour, brains, and capital, the predominating interest to-day being capital. All the three used to be the possession of the same person. The primitive producer hunted with his capital of bow and spear which he had made and owned, used his own skill in hunting down his quarry, and his own labour in tracking it and killing it.

He was his own workman, manager, capitalist, and he provided himself with his own market as well. But wherever two or three are gathered together, the law of economy of efforts tends to separate their economic functions. Labour being common, cheap and weak, was the first to fall out of equality and into subordination. The question of who was to be the pure labourer was fought out through centuries in changing feudal tenures —producing the landless man—in industrial revolutions —producing the propertyless proletariat—and in their accompanying political and social developments. To-day we have the three factors well divided though not always confined to different individuals. We have the workmen, in the mass, pure workmen, but in some small sections performing managerial duties, or owning shares in businesses; we have the managers, in the mass, purely managers, but in sections owning the capital with which they work, or interested in the capital which other managers work; we have the capitalists, in the mass, purely capitalists, but in sections working as managers of their own or of other people's capital. What little crossing there may be in these functions does not influence the general character of economic society.

The interest of capital is predominant. Managers and workpeople alike must make it profitable. If there be any conflict, it rules the conflict. It is the influence which determines whether we are to undertake the burden of tutoring the black man or interfering with the brown one. If it requires for its successful working a margin of unemployment, working-class families must submit to unemployment. If it must glut markets in order to maintain itself in working order, markets must be glutted. If it is essential that it must sometimes prey upon itself, its victims must submit as the victims of human sacrifice had to do in their day and generation. If it can flourish more vigorously for a time on degeneration, its right to do so must be allowed.

True, it has been curbed in its absolute claims. Combinations of workmen have encroached more and more upon the powers of capitalists in determining industrial conditions and wages, and have set up the authority of labour against that of capital. Legislation has also curbed absolute economic power by a series of factory and workshop laws imposing standards of comfort and safety that could not have been secured otherwise. Thus, Capitalism is now controlled by two different forces, the rival economic interests of labour and the social interests of the community.

But these bridlings make no fundamental change in the economic nature of Society. Labour does not control production, the community has not changed Capitalism, and this is seen if we work out the process of production and distribution in their broad but essential features. All production is primarily for the use of consumers and for the life of Society. It is the

necessary effort of living beings to procure for themselves ood, clothing, shelter, and the amenities of a civilized xistence. When every man or every family was its wn workshop and market, production was a purely ersonal concern, but when production became specialized nto trades, and when the goods that a family consumed ecame the subject of the most intricate exchange on vorld wide markets, the matter became one of social oncern, because if communal life is only an extended orm of individual life, communal economics and ndustry must afford some guarantees of individual well- eing. The divisions of functions in production cannot e allowed by the community to jeopardize steady upplies of necessaries, or be made the opportunity for ertain classes and interests to control for themselves he sum total of the communal product. The association f men in communities promotes two important gains. irst of all, it is a guarantee of individual security, so hat all men, by mutual aid and protection, may develop n peace ; then, it is also a guarantee that, by association abour will be economized and production and distri- ution effected in the most efficient way. Theoretically, nd from the very nature of human interdependence, he supply of the things of life to individuals is a communal ervice which ought to be organized as part of communal oncern and responsibility.

But there are practical difficulties in the way. These ' oughts " have to wait for time and circumstance. Economic machinery moves faster and is more easily onstructed than moral machinery. A man will do vhat is advantageous far more quickly than he will do vhat is right ; he will meet the need of the moment

far more swiftly than he will provide for the need of the next year. Still truer is it that an individual seeing personal advantage will act far more readily than a community seeing communal advantage—for one reason that the nerve organization of the individual is infinitely better co-ordinated and capable of quicker response than what corresponds to it in the community. When the individual sees his advantage and the community is quite unaware of it, the individual has it all his own way until the community has pulled itself together, is ready to act, and has created the organization which enables it to act effectively.

Now we can understand why capitalism arose, what its services have been, and how it is to merge into a higher organization. When production became divided into trades and profession, and the area of markets widened, some machinery had to be created which would facilitate exchange. The interests and needs of the mass could not do it at the time. They were not organized for the purpose, for communal organization was then in a most rudimentary form. The Guilds might organize for production, but the Guilds were not communal and only protected their own interests. What communal organ was there to bring Bokhara and Damascus, Iceland and the Indies on to the European markets? None. So self-interest came in. Thus capitalism began with exchange, not production. In due time, even the organization of trades in Guilds failed to control production. The new inventions and processes, the expansion of workshops, the growth of great business, especially after the industrial revolution, handed over the whole mechanism of production and exchange to

ıe swiftly moving motive of self-interest, and the ıpitalist system was established.

The characteristic of that system is this :—that groups people supply the public need in their own interests, r their own profit. These interests spur them on to erfect their organization of supply, not out of com- ıssion for the public, but because it pays them to do . The demand that comes to men to-day to work a demand that they should go and make profits for ıose who own capital. Incidentally, they make a ving for themselves, but, so far as the system is con- erned, only incidentally. The first essential to their eing employed at all is that their employers make rofits by allowing them to work. This is the crux the whole matter. The machinery of production ıd exchange has been constructed and is run in order ıat communal need may be supplied by self-interest, ıd in the nature of the case the self-interest is the lf-interest of the owners of industrial capital.

How does the system work ? Each individual owner, company of owners, produces so as to gain or try to ain the maximum profit for himself. This may be one by limiting output or increasing it ; by selling at igh prices or low ; by adopting the national policy of ree Trade or Protection ; by competing or combining. ut whatever policy is pursued its primary aim is to ıcrease profits. It may lead to booms and depressions, overtime and unemployment, to fortunes and bank- ıptcies, to economies and waste. No matter. Thus ıd thus only can venturous self-interest, always daring, ways hoping, always acquisitive, serve the community ıd itself—itself first of all. It is controlled by the

economic possibilities of the market, never by a con ception of social duty. Thus, as during and after war when scarcity comes, or when money values alter an people have lost an accurate conception of cheapne and dearness, and when the control imposed during th war is removed from the system, it responds with a outburst of profiteering, just as a motor-car respond when its valves are opened and all restraint removed When a new tax is imposed upon tea or tobacco, th price of old stocks goes up at once ; when the tax is reduce prices remain high till old stocks have been sold of The system is not bridled in its working by a just c moral relation to the community, but only by th limits of exploitable opportunity. 'Capitalism alway tends to take the maximum possible reward for it services.

This is seen in indisputable plainness in what ha happened since the war. Standards of exchange hav gone up with the depreciation of currency, and we hav witnessed a deplorable scramble between labour an capital to fix these artificial standards each in its ow interest upon Society—labour by demanding wage which have reference only to temporary values, bu which, by being fixed in amount (so many pounds a wee or shillings an hour), are not to fall smoothly with fallin exchange values ; the other, by a prodigal resort t watering capital, entrenching itself behind over-capital ization, and using the disturbance in price standards which has for the time being destroyed the measure o money values in the public mind, to exact prices whic are extortionate. Thus, the general interest of Societ is to be sacrificed, and lowered standards of life are to b

mposed upon it. We know that this change in standard vill, as a matter of certainty, adjust itself in time, and, vhen the scramble has worked itself out, we shall be retty much where we were when we began it. But uring the throes of readjustment, revolutionary condi- ions will continue (for instance, the destructive spirit nay not possess unemployment when the loaf is fourpence, ut it will do so when the loaf is a shilling, whatever e the wages paid to those in employment), bankruptcy nust be the means of lightening excessive loads of apital, untold suffering will have to be borne by large lasses of the community whose incomes will not adapt hemselves to the higher standards of exchange. This neans an ever present menace. It also involves changes n intellectual life which will be serious. The costs of ublishing will limit the supply of mental food. The roduction of literature will be forced more and more nto the broad and deep channels of enormous popular lemand; organs of opinion will fall more and more nder the control of concentrated capital and the ndependent voice will be stifled; enlightenment will ave to struggle more and more with material disadvan- age. With ominous persistence the conflict is joined etween hard materialist power and the freedom of man's nind and Capitalism challenges labour to fight a battle vhich, whatever side wins, can bring no victory, because, n such a conflict of interests as this, neither side is think- ng of the true well-being of Society. Both are blinded by their immediate concerns in a system dominated by he working of an economic machine over which the community has no effective control, but which, possessed nd fought for by special interests—those of capital on

the one hand and labour on the other—uses commun needs for its own self-regarding ends.

CAPITALISM AND NATIONAL SECURITY

The war has taught us many lessons, but one of th most conspicuous is that no nation can develop a internal policy apart from other nations. The keyston of the arch of all our efforts is peace, and peace canno come from the will of separate nations, however goo that will may be ; it is not secured by Leagues howeve strong they may be ; it is not maintained by armaments however efficient they may be. Nations work togethe and are neighbourly only when there is a mutual sens of security and when goodwill rules in all things.

To-day, the great governing interests work on line exactly the opposite to this. War is the crisis which ends bad policy. Diplomacy brings itself to a dead stop and swords have to be drawn to quell temporarily the irreconcilable elements. When victory comes, the conquering nations have the choice of one of two policies, one hard to follow, the other only too easy. One is to use victory in order to do impartial justice and to set the world on its feet, the other is to punish and reward without thought of consequences and with no purpose but to gain an immediate and a lively satisfaction by imposing a victorious will on a beaten enemy. One removes the causes of war ; the other re-establishes them in new forms. One is a carrying out of the moral professions upon which the war has been justified to the people ; the other carries out the passions of fear and revenge that the events of the war have roused.

It was this conflict between reflection and passion that made Bolingbroke exclaim that wars which bring honour to the arms of a nation often bring shame to its statesmen —and Horace Walpole: "How end all our victories? In debts and a wretched peace!" The triumph in the settlement of South Africa after the war there, was Sir Henry Campbell-Bannerman's insight working in the teeth of the opposition of those who had carried on the war to a military victory which they would have destroyed as statesmen. The dissolution of political federations like the Austrian Empire, which followed the European war, must always be attended with manifold dangers. When bonds are broken we never know the amount of separatism that is to possess the minds of the disconnected peoples. But the statesmen who are victors and nothing else, not only do not understand these dangers, but increase them by making peoples mere pawns in a policy of victory. Thus, in sum and substance, none of the nations which were victors in the late war can reduce their armaments (the conquered ones may be compelled to reduce theirs for a time, but it will not be permanent unless policy is changed), none of them feels any sense of security, and all are forming anew balances of power and alliances; none has any conception of a world at peace, and all in their political, economic and military arrangements are assuming a world in continued war.[1]

[1] Should it turn out that this statement of war-making influences has to be modified, it will be by reason of the economic exhaustion of Europe compelling reduction of armaments and thus giving a saner frame of mind a chance to gain a grip amongst people. The statement as it stands, however, accurately repre-

Only with one aspect of this am I concerned at presen —the economic aspect.

The capitalist interests know perfectly well tha they need peace for assured development. They know that war is waste (though certain sections make grea wealth out of it) ; they know that militarism is a dea burden on industry, the bills of which have to be paid by production ; they know that the war mind is at enmity with their mentality, is bad for markets and produce a ferment of unrest and violence ; they know that sound prosperity in any one nation depends upon the genera prosperity of all peoples. And yet Capitalism is an enemy within its own household. As an abstrac system with abstract needs and conveniences, it demand one set of conditions ; as a working system consisting o the operations of individual capitalists it produces the opposite set of conditions.

Capitalism is mainly based on the individual interest of capitalists, not upon its general interests as a system This has been admirably illustrated by our economic policy to Bolshevist Russia. The need of the nation to have Russian products at its command, and to have the Russian market opened to it, admits of no doubt Even from the capitalist point of view there was profit

sents the policies that the Governments have been pursuing from the winter of 1918 till the beginning of 1921, when this was written.

[2]This estimate of the position has been fully borne out by the progress of events up to 1924, when the elections in Great Britain (1923) and in France (1924) have shown that the people are beginning to be disquieted by the outlook. I have striven to counteract these tendencies, but it is too soon to say with what results. The prospects are not unpromising.

in both. It could not be, however, and one of the reasons was that a certain group of capitalists wished to have some security for old debts, which added volume to the influences maintaining war conditions and the economic blockade, joined with the reactionary political sections who were of a like mind, kept Russia unsettled and starving, and increased the amount of unemployment and the level of prices at home.

Here one can see how the evil emerges. Capitalism tends to defeat plans of political wisdom. I have just stated that trade dreads war and international trouble, because only under conditions of peace can trade develop. The fallacious use of this truism is when the individual interests of traders are supposed to be synonymous with the general interests of trade. Traders make profits off armaments and war when trade generally is being seriously damaged. Political insecurity has always been put down as hampering to commerce. Here, again, Capitalism at work destroys the conditions of its own success. The interests of national capital always tend to become political issues. The trading concerns of national firms are regarded as British, or German or French trade, and their rivalries upon foreign and neutral markets are regarded as concerns for their Foreign Offices. Traders' rivalry translates itself into national political rivalry, and adds to the strength of those national suspicions and grievances which supply bugbears to nations and cause them to form friendships and alliances to show distrust rather than amity. Never was that more so than to-day. The result is that national policy is controlled more and more in the interests of firms. The British people have to use bad dyes in order that

inferior producing firms may declare monopoly dividend and not competitive ones, and national rivalry or markets has already begun to show itself in nationa rivalry in armaments, which, in turn, is used for profi by classes of manufacturers and is defended in thei interests. The possibility of a future war is forcing ou commerce into wasteful and unnatural channels, and under its influence national economic policies like tha of Protection are being begun without reference to permanent national interests. The community and even Capitalism may suffer, capitalists will benefit.

The case becomes even more apparent when territory is annexed for commercial purposes and Empires are extended to include markets and fields for the production of raw material and the sale of goods. Persia, China, Asia Minor are divided into economic spheres of influence; the Tropics are annexed to this Power and that for commercial purposes. Thus national rivalry is maintained, national security is jeopardized, costs of government are swollen, conditions of war are created. And all for the interests of private capitalists confessing to a creed which declares for peace and security.

I am not one of those who reject the statement that trade is a concern of a nation. It is the concern of a nation far more than has yet been seen. I argue, however, that this concern directed by the interests of competitive private capital seeking its own profits first, and not at all as a national concern, makes for war and launches us upon colonial policies which are bound from generation to generation to challenge military appeals. Capitalism in its actual working defeats at every point the sound political rules for the conduct of trade.

THE EMERGENCE OF SOCIALISM

This chapter has been written to point out how Society as it is organized contains in itself the germs of either its own dissolution or its own reconstruction. Progress consists in the adaptation of man in his circumstances, especially of man in his communities, to man in his own intelligence, and therefore I believe that these germs are those of reconstruction and not of dissolution. Capitalism has marked a stage in the evolution of social organization on its material side, and to reach the end of that stage we had to allow Capitalism to complete itself. It has presented us with opportunities, it has explored the world for us, it has brought material efficiency to a high stage of perfection; but in its nature it was never destined to become the system by which Society was to feed and clothe itself, and produce what else was necessary in order that it might live on high human levels. In its own evolution it had to unite itself into great trusts, world-wide in their power, it had to become more and more dominant in national life and political policy, it had to become the real governor of states—"A community of economic interests which is virtually a principality, oppressive to those dependent upon it, and a dreadful menace to the peace and welfare of the nation." At that point it has done its social work; it has become too great for boards of directors to control. Society itself is steadily stepping in and is gaining authority over itself by controlling the material powers and organization of Capitalism. Material interest and power will either dominate Society and disrupt it, or will be used by Society to enable it to approach

near and nearer to its human ends. This latter is the purpose that inspires Socialism, and if the internal conflict which I have been describing is to issue in reconstruction and not decay, Society must develop on Socialist principles.

This summary exposition of the Socialist outlook and intention will enable me to make profitable a more detailed examination of the conditions with which Socialists have to deal, and the way they propose to handle them.

Chapter III

SOCIALISM: ITS ORGANIZATION AND IDEA

THE COMMUNITY *v.* CAPITALISM

THE PICTURE of Capitalism which I have in my mind is that of an economic state, born in due time, working out its utility and passing away, also in due time, to give place to a better. In its childhood it explored and competed; in its adult years it organized and combined. In its childhood it exploited nature; in its adult years it threatens to exploit the community. In its childhood it possessed itself of a power which, growing with it, cannot be left in its adult years solely in its own control. Even in its childhood it showed a predatory nature, and it is now over a century ago that legislation had to cut its claws and protect weak youth from it. Indeed, State action curbing the control of Capitalism over human beings, protecting the weak, limiting overtime, ending destructive factory conditions, settling hours and wages, preventing the workers being cheated, has been one of the marked characteristics of the century. Industrial legislation has grown pace by pace with Capitalism itself as though Capitalism were a dangerous animal whose increasing power necessitated a continuous shortening and strengthening of the chain that confined it. And this curbing action of the political and legislating authority has been accompanied by

similar protective steps taken by both workers—Trade Unionism — and consumers — Co-operation. These measures, and the movement they have marked, have been the most characteristic features of politics and social philosophy in the last quarter of the nineteenth century.

Finally there came a movement to supplant Capitalism altogether, by organizing communally the services which Capitalism performs or ought to perform. This was the Socialist Movement. It has gone through several phases of expression and activity, for it was a historical growth and not a mathematical discovery.

At first the revolt against Capitalism was moral and social. This new rich class that had risen from the midst of commoners, that made cotton and iron and woollen goods by machines in great factories, and that practised doctrines of pure materialist wealth getting, not only with no respect for, but with an evident menace against, the old order of the squirearchy and the landed aristocracy, was an evil in the eyes of polite Society, and the prejudice against it is well seen in the novels of the Victorian time. Its forceful virtues are also seen there. That kind of prejudice was, from its very nature, a passing phase. When the new class got rich, the county families would find cause to yield to its wealth, and coronets could be purchased by it. A truce by the desire of both sides was only a matter of time. Society always surrenders to wealth, pockets its pride and its tastes, and tries to assimilate it. If the fathers are coarse and vulgar, the children may be veneered.

This social opposition had a better expression than mere prejudice. In a little corner of the old order was

a feeling of kindly human responsibility. It may have been as stilted as the manners of the time and as incapable of surviving, but in its heart it was good. It may have been blind to its own imperfections, but it professed a fine consideration for human beings, and when that was outraged by a new class, and in ways that had nothing to do with land or government, the old was up in protest. It saw in the factory populations that were being gathered into cesspools from hill and dale, cottage and workhouse, in the unadulterated materialism of political economy, in the use of "hands" for profit making without regard for the "hands" themselves, something very devilish, and it set itself to oppose the growth of the new order.

The opposition of prejudice was perhaps the most evident, but that produced no movement, only a stupid boycott and a language of contempt best seen in the political Toryism of the counties. The opposition of heart was different and is best studied in St. Simonism, which was an application of aristocratic principles to the new methods of capitalist production, or in Owenism, a more robust affair, which was an attempt to humanize the new methods, development, in the end, into schemes for controlling them in the interests of the working-class community, or still later in Christian Socialism, which was an effort to retain in economic relations some of the sweetness and light of the Christian spirit.

ST. SIMON

Comte Henri de St. Simon belonged to the French aristocracy and was born in 1760 in Paris. He was of

the romantically quaint type of humanity, more common then than now. He was visited in a dream by his ancestor Charlemagne, who told him that his life was to be notable, and he instructed his valet to address him, the first thing every morning, with the reminder : " Remember, Monsieur le Comte, that you have great things to do." He fought in the American army of Independence against the British, returned to France, and took advantage of the Revolution to engage in very profitable land speculation for the purpose of making himself independent so that he might pursue his projects free of economic cares. Then he engaged in studies and experiments that dissipated his fortune, and he ended his days in poverty.

In his day only a glimmering of a better order of Society was possible, because the knowledge of social growth which came a generation or so later, was not at command. His instinct was sound ; his scheme was fantastic. He would put men of science into the position of the mediæval church, and the available labour of the community was to be organized and controlled by them. Drifting more and more into the simple ethics of Christianity, he proclaimed the principle of brotherhood as the regenerating conception for society, and urged that the condition of the poor was the grand point of attack which, when dealt with, would mean a complete change in communal relations. He was the grandfather of Positivism, and his social theories ended in the usual communities of the select and elect who found that it was difficult enough to think in common but quite impossible to live in common. The reconstructor of economic organization was still groping i

intense darkness. A light glimmered in his own mind, he felt the spirit in which it had to be done, but his surroundings were hidden in night. He had to dream of his new order and take its architecture from the Charlemagnes who visited him in his slumbers.

ROBERT OWEN

Robert Owen had an advantage which can be seen in his more definite grip of the problem. He was born in Newtown, Montgomeryshire, in 1771; at the age of ten was behind a draper's counter; and in a few years found himself in Manchester, where his business sagacity and application were rewarded by the management of a cotton mill when he was but nineteen years of age. He was a great master employer with an eye closed to nothing that concerned the business in which he was engaged. In 1800, after having married the daughter of their proprietor, and having induced his Manchester partners to purchase them, he appeared as manager of the New Lanark cotton mills on the middle reaches of the Clyde, a little below the famous falls. There were 2,000 employees, one-fourth being children from the work-houses of Glasgow, Edinburgh and the neighbourhood, and the whole community, despite some kindly philanthropy on the part of the previous owner, was a sink of vicious habit and brutal conditions. It was an ordinary specimen of the first human productions of Capitalism. In this degradation the roots of Owenism embedded themselves, and from these roots sprang many plants of refreshment and healing. He was the first to show that humane treatment of labour produced those

material profits with which the business political economy of the day alone concerned itself; he was the first to argue that Society should use its legislative powers as a means of self-protection against a Capitalism blinded by the profits of to-day to the resulting costs of to-morrow, and that when Society did so, strange as it might appear to a class living and thinking in a deep rut of material interests, the Capitalism so curbed would have benefits conferred upon it.[1] Thus far, it was Owen the philanthropist who was at work discovering that, apart from its own sanctions, philanthropy was business, and that humane consideration in industry so concerned the State that it should be made the motive for protective legislation. These were movements which could be received hospitably by Capitalism, for though they were opposed to certain of its ideas and operations, Owen was demonstrating that these forms of waste were not only not essential but were, as a matter of fact, inefficient, and, therefore, unprofitable to industry. They were, in consequence, not the beginnings of movements towards a higher order than Capitalism, though they so developed, but movements for reform within Capitalism itself—movements to make Capitalism wise—movements to recruit as allies to the creeds of political economy, ethics and humanity, which at the time had been ruled out as aliens when the science of wealth in production and distribution was under consideration.

[1] It is said that when Owen was being shown over some mills in Leeds their proprietor said to him that if his workpeople were only careful to avoid waste, his profits would be increased by £4,000 a year. "Why," was Owen's remark, "don't you give them £2,000 a year to do it? You would then be richer by £2,000."

But Owen was steadily moving upwards to conclusions which were widening his horizon and revealing to him policies of greater consequence than those which showed how the inhuman mistakes of Capitalism need not in its own interests, and could not in those of Society, be continued. Owen was not perhaps an easy man to get on with. The Scottish word "self-opinionated" describes a mental condition with which the keen reformers of all ages have been unduly endowed, and which has made co-operation difficult between them and their sympathizers. The quality is perhaps required to give the persistency necessary for pioneering work. But, had he been the most easy to get on with of men, he would not have been acceptable to his fellow manufacturers, because his views were not theirs, and became theirs less and less. They were impatient to pursue immediate interests whilst he was guided by a far-reaching policy. Moreover, he roused prejudices amongst the socially respectable by heretical opinions regarding religion. Those who have no faith are always the swiftest and the most vociferous in condemning and excommunicating those who say they have none. To read of this part of Owen's life is to feel the heartbreak of being entangled in the fine steel meshes of an enfolding net, is to see greatness baffled by the myriad arrows shot by the crowds of Lilliputian warriors gathered at the bugle call of Church and State and angry interest. Vision is always baffled by darkness and its calm irritated. There seems a malign fatefulness about it all. The effect upon Owen was to drive him on to new heresies and to engage him in activities where inevitable failure for the moment awaited him, hand in hand with enduring fame.

Then, as now when I write, the war had brought its harvest to poverty and civil discord and danger; then as now, Governments were worried by the industrial outlook, and were meeting it with their backs to the wall and cordons of policemen and spies as their protectors. The promised boom in trade had not come; factories were still; unemployment and high prices were the first fruits of our campaigns and our victories. Then, politicans thought of the Poor Law as they now think of doles and grants in aid, and Parliamentary commissions sat to consider how the bad times could be tided over. Owen wrote a memorandum which embodied a new system of constructive critical thought. He discussed in it the effects of war, and argued that the fundamental trouble of the existing Society was that machine labour and human labour were put in opposition to each other, that the former was the master of the latter, and that the only remedy was the co-operation of both under the control of the latter. Here was the business man's discovery formulated as a constructive idea, and this was as far ahead of St. Simonism as Darwinism was ahead of the ideas on evolution held by Lucretius. This was the first proclamation of scientific socialism as the stage of evolution beyond Capitalism. No better definition of Socialism can be given in general terms than it aims at the organization of the material economic forces of Society and their control by the human forces; no better criticism of Capitalism can be given than that it aims at the organization of the human forces of Society and their control by the economic and material forces. In 1817, Owen defined the goal and the idea.

That is the first stage when the higher social organization was born in idea accurately stated.

Subsequent stages were concerned with methods of realization and with modified forms of expression—like the Owenite Community and the Labour Exchange—determined by experience and the thought prevailing at the time. Owen's own practical contributions were of the nature of schemes which ended in failure, but which contributed to the clarifying of thought and to the determination of new and more scientific methods. The advance of science later on, especially biological science, came to the aid of the new movement, after Owen had done his work and slept in his native Newtown. The Owenite experiments, from land settlements to labour exchanges, proved that Society must be dealt with as a whole and that no sections could live ideally within fences, and they also stimulated the creation of the co-operative movement.

POLITICS AND REVOLUTION

The second quarter of the nineteenth century was one of political strife between an unenfranchised democracy and its ruling classes, and its natural weapon was revolution, because it was outside of politics. The mainsprings of this were political and economic, the desire for liberty and political enfranchisement, and a kicking against the pricks of poverty. Alongside of the rougher and more impulsive mass movement was an intellectual movement, sometimes formally in alliance with it, sometimes only in sympathy or critical, giving a judgment that excused when it did not support the revolts from

prevailing conditions in the State and the workshop. Both condemned Capitalism as it then operated, both tore with fury its political economy gospel. The movement not only to check its excesses but to transform it grew in precision and volume. Its political economy in particular was assaulted both as to the scope of what was considered to be its subject matter and the conclusions which were embodied in it. A school of critics had arisen who, carrying the attack into the enemy's camp, condemned Capitalism from its own political economy of Capitalism, not only showed its inevitable failure, but produced in terms of the sacred political economy itself a better mechanism.

EARLY SOCIALIST ECONOMISTS

Our own country was particularly rich in these critics.[1] Whenever communal turmoil takes place, the critical intelligence is liberated. Thus was it after the Civil War, and thus was it in the time with which I now deal. In the midst of the American and French Revolutions men like Paine and Godwin dreamt and wrote of political and social justice, and Dr. Ogilvie, of Aberdeen, fixed his attention upon the evil social consequences of land monopoly. Godwin, completing the argument of his "Political Justice," attacked the private ownership of property as being the origin of all social ill. Abolish that, secure men in subsistence, and humanity is free to pursue the truth and become intellectual and just. The

[1] For an account of them and their work, *see* "The Right to the Whole Produce of Labour," by Anton Menger, with an Introduction and Bibliography by Professor Foxwell.

glow in the spirit of Godwin was too remote, however. It might elevate but it could not direct. Charles Hall, who published, in 1805, "On the Effects of Civilization on the people in European States," brought the experience of misery into his economic thinking. He argued that four-fifths of the people enjoy only one-eighth of the wealth, the rest going to rent and interest. This was the first definite blow of an economic kind struck at Capitalism. William Thompson followed, in 1824, with his "Inquiry into the Principles of the Distribution of Wealth." To this day, this book has not lost its vitality. Its argument is based on Bentham's economic principles : its conclusions leave not a shred of Benthamism behind. He assumes that value is the creation of labour, and argues that under capitalist conditions, wages are determined by subsistence needs, the rest of the product going to land and capital. He grants that a payment should be made for the use of these two, but that it should not exceed the income of the best paid workman. He sees capitalist Society as a mechanism which unjustly abstracts from the working-class community the maximum it can from a produce that ought to belong to labour. As a critic, Thompson is modern, as a constructor he is Utopian, and can only suggest as a remedy, freedom of trade, freedom of land transactions, and voluntarily formed co-operative communities on Owenite models.[1] Professor Foxwell says quite justly of Thompson that "he was the first writer to elevate the question of the just distribution of wealth to the supreme

[1] A criticism on social institutions which he says he had written, but temporarily withheld from publication lest it might irritate, has been lost.

position it has since held in English political economy." He certainly laid the unshakable foundation of Socialist economic criticism, and everything that has since been written on the subject, consciously or unconsciously, begins with Thompson. Following him came a cluster of less and well known but useful propagandists who, partly as pure economists and partly as agitators, fought the battle against capitalist distribution, explained its mechanism, and thrust its problems right to the fore-front of economic discussion.[1]

The battle for the possession of political economy was won when John Stuart Mill, having been driven out of the "Wages Fund Theory" by Thornton, began to "look forward to a time . . . when the division of the produce of labour, instead of depending in so great a degree, as it now does, on the accident of birth, will be made by concert on an acknowledged principle of justice," and wrote that whereas the laws of production were natural and depended upon the properties of objects, "the modes of its Distribution . . . subject to certain conditions, depend upon human will."[2] The latter were "but the necessary consequences of particular social arrangements . . . given certain institutions and customs, wages, profits and rent will be determined by certain causes. The present Distribution is bad,"

[1] Two ought to be mentioned on account of the influence they had on Karl Marx. The greater of the two was John Francis Bray, who wrote "Labour's Wrongs and Labour's Remedy" (1839); the other was John Gray, whose "Lecture on Human Happiness" (1825) and "The Social System" (1831)—"left little for Marx to add," says Professor Foxwell.

[2] Autobiography," pp. 231-2, 246-7.

he continued, "and the conditions which determine it are liable to be much altered by the progress of social improvement." English political economy has lost much from the fact that John Stuart Mill does not seem to have been acquainted with the work of these heterodox critics.

KARL MARX

The first systematic exposition of Socialist doctrines brought up to his time was that made by Marx not only in his work on "Capital," but in letters, memos, manifestoes, and articles which he poured out during his long life of ceaseless strife and controversy. To-day, Marx is known over as wide a world as even Christ or Mohammed. He holds a position equal to any one of the few teachers who have founded religious movements. His writings, largely unread, are held as inspired, and upon differences of interpretation of what he has said or written, sects of the faithful are founded, and bitter internecine war is carried on. Books and treatises written upon him and his doctrines are legion, and are to be found in every language which commands a printing press. The validity of his economic theories is more than doubtful; his historical philosophy is in the same position. But, as with the great religious teachers, that in no way diminishes the homage paid to him, nor damps out attempts to regard his word as the last thing that had been said. Such a position is not won except for some good reason, and we have not far to seek for the service which gained for Marx this extraordinary fame. He was the first to give the working classes a hope that, by adopting a certain policy, they would attain to

freedom ; the policy which he put before them was one which enlivened their spirit, appealed to their intelligences, and set the lines of their battle just in such a way as to inspire them with the greatest possible fighting zeal, both on account of the rich fruits of the victory that was to be gained and of the steely antagonism against the enemy which it put in their hearts. Marx called, in clear clarion tones, to battle, and made the soldiers feel that it was in an Armageddon that they fought.

Marx began by brushing aside the Utopian and idealistic Socialism of the French school which he found to be prevalent, the Socialism of the little communities with their fantastic rules and their circumscribed life. He, a disciple of Hegel, had a conception of the work of constructive revolution different to that. His parish was no Phalansterie but the world. He dealt with universal processes. His eye swept the whole pageantry of Humanity, and he saw it in its continuous march up through the ages. He interpreted the present by the past, and thus gave it its direction for the future. Thus Marx brought the science and philosophy of his time to aid the working-class struggle, to give it a meaning, a dialectic, and an armoury. In him intellect and revolutionary enthusiasm had a common lodgment and they together lit fires destined to burn in the heart of many generations. He combined the idealism of Godwin and the bitter experience of Charles Hall and by an amalgamation of the one and the other, he produced a historical movement. This was done by no new gospel. The economic criticism of Marx contained no new discoveries, indeed, if plagiarism consisted in

saying what has been said by others, the unfounded accusation that Marx plagiarized on his English forerunners, would be true. Marx used a doubtful economic formula—surplus value—to explain what Thompson had already written, and a doubtful historical formula—economic determinism—to explain social evolution. These things did not give him his position in the history of Socialism. He is there because his work translated an economic criticism into a living movement which lay in Society like a bud in its sheath. His power of personality, his vitality, gave energy to the movement, his intellectual achievements raised its self-confidence, his clear conceptions of method gave it both form and direction, his philosophizing gave it a relationship to history, and all these combined made the modern Socialist movement a fighting, a hoping, and a constructing power. Thus Marx became the personal embodiment of the working-class revolt against Capitalism and its fight for Socialism.

Marx was born at Treves in 1818, studied at Berlin and Bonn, joined the group of revolutionary journalists contributing to the *Rhenish Gazette*, published at Cologne, and thus began a career of strife and exile, beaten from pillar to post, until he was received by London, where the thinkers who tried to redeem the world by first of all troubling it, could still find a haven of refuge. There, in company with his friend Frederick Engels, whose work can never be unravelled from Marx's own, he became the centre and the guide of the international working-class movement, studying at the British Museum for his book on " Capital," establishing a network of connexions with Socialist leaders all over the

world, and expounding, with partisan zeal and papistic authority, the principles and the tactics upon which the working-classes were to combine in order to free themselves.

" Capital " is his scientific explanation of how Capitalism exploits the workers, and he bases his case upon a definition of value which was to be explained in three massive volumes, the third, in which he was to meet certain recondite objections, having been left at his death as a sheaf of disconnected and unfinished notes. This was completed and published by Engels, and certainly left the doctrine on anything but a stable foundation. The essential part of the theory is that labour is the creator of all value (a dictum of Adam Smith and Ricardo, as well as of Petty and other early writers on economics), but that under Capitalism labour is not paid by the value it creates but by the price of labour power as a commodity on the market, and that this price tends to be fixed by the economic laws of the market at a point which just secures a continued supply of the desired commodity. This is the " Iron Law of Wages." Thus capital possesses itself of the surplus product and so, relatively, the rich become more and more able to exploit, and labour becomes less and less able to defend itself against exploitation.[1] After this has gone on and Capitalism has evolved through its necessary phases, a break will come and revolution will inaugurate a new

[1] This was no new Socialist theory or discovery. Rodbertus had expounded it as soon as, if not earlier than, Marx, the Owenities held to it, and the early English Economic Socialists expounded it. But Marx took hold of it with master mind and turned it to account in a way that no predecessor had been capable of doing.

economic era. That is the economic process explained in relation to a particular theory of value, of wages and of detailed economic change, and presented by a disciple of Hegel in Hegelian dialectic used for political and economic propaganda.

The political or historical process of evolution was also given a law, and that was "economic determinism." Marx found, as many others who are far from holding Socialist conclusions have also done, that all historical phenomena, whatever their superficial characteristics, must be ultimately assigned to economic causes. Thus, with an economic foundation of surplus value, Marx explains the historical as well as the economic evolution of the existing system. The private ownership of capital and the interests of the class that holds it have determined the creation and the evolution of States. The origin of war is Capitalism; the movements of religion like our Reformations, are economic; to this power the life of the world and of the people thereon are in bondage; the slavery of the wage worker is different in kind but not in nature to that of the chattel. Capitalism, as a Hegelian was bound to discover, contains in itself the seeds of its own destruction. Thus, in Marx's hands, Socialism became a movement of the world spirit; an event in human society and organization, something that belonged to the order and being of things.

In the "Communist Manifesto," written in 1847, we have really the whole gist of Marx's doctrines, and it is worth summarizing as it is not at all well known now. It is Marxism concentrated in thought and spirit. It combines that masterly width of intellectual sweep and that thrilling and stirring appeal to the common minds

which I regard as the secret of the power of Marx amongst the working-class movements everywhere. No narrow nationalism confines its force ; it is an exposition of laws that hold as good in Japan as in Great Britain, in India as in France, in China as in America. It begins with a proud statement that every ruling class in Europe has sought to attach infamy to its opponents by calling them communists.[1] That to it is a laurel crown. Communism is thus "acknowledged by all European Powers to be itself a Power, and therefore it is high time that Communists should openly, in the face of the whole world, publish their views, their aims, their tendencies, and meet this nursery tale of the spectre of Communism with a Manifesto of the party itself." In its opening sentences it predicates the class struggle and explains its meaning. The bourgeoisie rose in revolt against the landed aristocracy first of all, and now the proletariat were up against the bourgeoisie. The rule of the bourgeoisie has been marked by increasing production, revolutions in industrial processes which have destroyed all social relationships save those of economics, the establishment of international trade, industrial and political imperialism, concentration of population in towns. But the reign of the bourgeoisie itself tends to break down by industrial crises of increasing severity which it cannot prevent. Workmen become mere appendages to machines and industry becomes impersonal and mechanicalized, and low paid and unskilled

[1] It is necessary to warn readers that the Communist movement of that time, which became known later on as the Social Democratic movement, was a different thing from the Communist movement of our day.

labour (*e.g.* women) displaces higher paid and skilled. At this stage of development, the workers combine in self-protection, and the conflict becomes one of economic classes. The revolutionary character of the struggle will become more and more marked until at last by the inherent weakness of the one class and the growing power of the other, the final revolutionary act comes and Communism is established.

The second section defines the position of Communism. It is international and it represents the complete interests of the proletariat. Communism systematizes working-class needs, organizes the class war, and seeks political power. The Communists would abolish bourgeois forms of property, but when the collective product known as capital has been socialized, purely individual property will still remain. "In your existing society, private property is already done away with for nine-tenths of the population." With bourgeois property will go bourgeois culture, and proletarian culture will prevail instead. The bourgeois defence of the family is hypocritical, for the bourgeoisie are destroying the family. National feeling and patriotism are also used for exploitation purposes. As all history is the record of class expropriation, the Communist movement "involves the most radical rapture with traditional ideas." Political power must be used "to centralize all instruments of production in the hands of the State." This has to be done "by degrees," and each country must pursue its own appropriate method. The items of a programme are then detailed, including abolition of property in land, a graduated income tax, abolition of all right of inheritance, a national bank, a national transport system, State

factories, " equal liability of all to labour," co-ordination of manufactures and agriculture, free education.

The third section consists of criticisms of existing Socialists parties, and the Manifesto closes with an explanation of the political position of the Communists in European countries, and ends with what has become a world-wide slogan : " Let the ruling classes tremble at a Communist revolution. The proletarians have nothing to lose but their chains. They have a world to win. Working men of all countries, unite ! "

This reverberating appeal, spoken in firm, absolute sentences of clear-cut dogma, and calling up visions of well-defined battle lines, gathered round it, as though by magic call, the scattered and wandering bands of revolted labour, and the International for which it spoke became a terror and a bogy.

When Marx changed men's conceptions of the movement of Socialism within Society from being a revolt and protest against an evil to being an expression of the prolonged working of natural laws towards a fulfilment, he, in consequence, changed the methods by which the working of the law was to be aided and speeded up. Socialist activities had to concern themselves with Society as a whole—with the complete group of relationships subject to Capitalism. Thus, the Socialist movement became part of the political movement of the working-classes ; the establishment of Socialism became the goal of working-class politics ; political liberty ceased to be regarded as an end in itself, but became a means to economic liberty—or, to write more accurately (though in that cruder form of separation and subordination they were too commonly presented, and are now by the

Communist movement of to-day), political and economic liberty were seen to be organically connected, neither existing without the other. Marx wrote in a revolutionary time in many respects not unlike our own, and so we find in his sentences the hope of violence alongside a trust in politics—thus both the constitutionalist and the non-constitutionalist have been able to claim his sanction.

This was the work of Marx, and it so completely changed the conception, the policy, and the organized movement of Socialism that it may be regarded as having brought forth a new movement altogether. Therefore I find Marx's fame and position, not in his theories and explanations (all of which are subject to the limitations of the thought, knowledge and politics of his time, and to his own errors, and none of these will survive the reconsideration of future times), but, as I have said, in the simple fact that he imparted to the working-class movement and to Socialism a greatness and a majesty in the evolution of human society, and gave it a method which sustained hopes for a prolonged conflict. That is why the fate of Marx's theory of value or of economic determinism will have no effect upon the place he occupies amongst the leaders of mankind. That place is secured by something more abiding. His vision of things and his understanding of their meaning and tendency is in no way impaired by the explanations he gave of them, and it was his vision and understanding that he contributed to make a feebly vague aspiration a virile and a definite movement. He saw the truth with power, and that remains alive when explanations of it fail and only gather the dust of beliefs that have been outlived. Marx was greater and more abiding than Marxism. This

he himself saw when he is said to have exclaimed one day, deafened by the squabbles of disciples and would-be disciples : " Thank God, I am no Marxist." It is not Marxism that survives but Marx.

THE SOCIALIST MOVEMENT

In consequence of Marx's labours, Socialism, as the higher form of economic social organization which is to supplant the individualistic disorganization of Capitalism, became firmly established as an intellectual creed and social conception, and it has controlled since then the political and social policy of the working-classes, in so far as they have been consciously organized, throughout the world. In Marx's time old theories had to be fought, and he had to be in conflict with the remnants of the organizations of the earlier exponents of Socialism, especially the French idealists born of the French Revolution. In time the battles died down and the influence of Marx remained predominant. In Germany the various sections united at Gotha in 1875, and the Social Democratic Party was formed ; in France, where romantic programmes and policies have always allured the people, union was not reached till much later, in 1903, after the International Congress at Amsterdam had taken steps to secure unity, and the authority of Jaurès made that possible ; in Italy, rent with anarchism and secession, a Social Democratic Party was finally established by Turati, a lawyer of Milan, in 1891 ; in Switzerland, the Party has been organized since 1888 ; in Belgium, Holland, Denmark, Sweden, Norway, Austria, parties have been formed and are of considerable influence in

politics; in America, the Socialist Labour Party was founded in 1877. In 1864, at a meeting in St. Martin's Town Hall, London, the International was started. The pains of growth were pretty severe in some of these new movements. Discipline and co-operation are hard to impose upon men with a glowing vision and a new faith. When a new order is germinating in the minds of men the weeds of anarchy and disintegration grow very quickly on the broken-up soil. So, dissent and disruption often followed creation. Parties were rent and disappeared but came again. The International, which at its origin made Governments shake for fear, was itself disrupted by internal strife between those who would be more saintly than others. Bakunin had a gospel purer than Marx, and hence those who were to subdue the world had, as a preliminary to the greater undertaking, to fight a civil war to subdue themselves. So the International went down, not by the attacks of Governments from the outside, but from internal explosions. In 1872 its headquarters were moved to America, which was a politic way of burying it. But, in 1889, it was born again, and up till the war it steadily grew in numbers. To it were affiliated the working-class movements of every nation in the world. But the war broke out. Fear, nationalist influences, the discipline of the State, the comparative suddenness of the outburst, divided the International into its national sections, and there was nothing for it but a period when nearly every Socialist Party in the warring nations ranged itself behind its Government, accepted Government explanations for the tragedy, and, under stress of invasion or the fear of invasion, or determined to ward off the terrible humiliation and political

and economic consequences of defeat, set aside all other thoughts than that of military victory as a preliminary to any peace settlement. So completely had the war turned the thoughts and feelings of people from the interests of ordinary social evolution, and the policy of organized labour from its international creeds, that even in neutral countries like Sweden and Switzerland, Denmark and Holland, war divisions were apparent. War is a tragic interlude in the life of peoples, and that was never better seen than in the last one.

When the battles ended an International meeting was summoned to meet in February, 1920, at Berne, but it was apparent that war antagonisms not between nations, but between factions within nations, were not to be healed in a day. The Russian Bolshevist revolution had thrown discord into the midst of every national Socialist Party, and oppositions that had grown up during the war—as between the German Majority and Independents—were represented at Berne in order to range the whole International, if they could, on their side of their internal national quarrels. The British section alone presented some semblance of unity. Italy and Switzerland had become too enamoured of Russian methods and theories to attend. The Russian Bolshevists had summoned, before the Berne meeting, an International Congress at Moscow, which was to found the Third International, and declare for the Bolshevist policy. At first a strong current towards Moscow flowed through the Socialist movement, but it presently began to subside, and though the French Party in 1920 went, by a majority and after a split, to Moscow, the current slackened and began to flow backwards. Meanwhile, owing to the objection of some

sections to work with others which had a strong imperialist war record from which they had not purged themselves, and to the action of others, like the Belgians, in remaining inside Coalition Governments for reasons which meant that they believed that Socialists should co-operate with bourgeois parties for purposes which were purely reformist, there was secession after secession from the Second International, and at the end of 1920 a Conference was held at Berne of such bodies, and was later resumed at Vienna, and a committee was formed to watch the international situation, and re-form the Socialist International when opportunity presented itself. This book will be published before any further development can take place, and in the meanwhile there is nothing in existence that can be called a Socialist International. It will be born again with absolute certainty, however.[1]

DEVELOPMENT OF SOCIALIST PARTIES

But I have anticipated somewhat in order that I might without break deal with the International. A brief narration of the movement in this country will enable me to indicate what has happened since Marx's death in the development of Socialist conceptions and theories, dealing only with their broader features. Socialist critics, as I have told, forged from the Political Economy

[1] Subsequently, owing to the failure of the compromising policy of the Vienna section, it was reabsorbed in the Second International, but the evil conditions of Europe have kept the re-united body in a state of ineffectiveness, whilst the Third or Moscow International has been finding in that state of affairs only too many opportunities for mischief. Until governments are wise and sane, Moscow will continue to pursue its evil work.

of their day the weapons which were to destroy that Economy, as an apology for the working of Capitalism, and, though lacking the commanding genius of Marx and failing to make big things appear big to the world, they did gather coteries together and arm them with sound arguments. These coteries published their pamphlets, did their parochial work and cherished their creeds. If the mass did not dance with them, it was partly because the music was strange to their ears. For generations our people's minds have run in political grooves when they thought of reform, and all discontent and demands for change tended to express themselves in forms of political radicalism. So the challenge against Capitalism and the revolt against the appalling misery of the time took the form of Chartism in which political creeds and economic demands were blended, and by which ruling classes legislating in their own interests, and classes whose ownership of things made poverty, were equally threatened. Chartism died a natural death after having lived a useful life. A movement originating in hard force and circumstance that has not the good fortune to be raised up to an intellectual or moral plane by a genius of the type of Marx's, is doomed to kick against the pricks and to do undignified and ineffective things because it must do something but can do nothing except what the despair or the hate of the moment may prompt. Nevertheless, in doing these things it exposes iniquities and awakens thoughts and emotions that live and act after has gone out, and, a service which is by no means the least useful, it leaves memories which in time become precious for the inspiration they give to riper and better planned efforts to deal with the same causes or carry

the same work. The Chartists could neither make a revolution nor influence Parliament. But they could create a disturbance, they could upset the unworthy equanimity of their time, they could keep the spirit of freedom unsubdued and supply it with nourishment. In the tide which flows towards freedom there are many commotions which rise, and swirl and break into wavelets, and then apparently die away. Days and dates are given to their appearance and disappearance, and surveys are made of what they have done with but apparently little result. These, however, are of the nature of the tide, and without them there would be no tide at all. Chartism was a protest of poverty against Capitalism before the system of Capitalism was understood as an economic stage in historical evolution, and an attempt to use political power to effect economic and social ends before the people concerned had possessed themselves of political authority. In other words, it was an attempt to do by politics what revolution alone could have secured, and the evils suffered, those who suffered, and the times in which they suffered, made revolution a vain gesture. So Chartism came as a protest and ended as a protest. It was stored away in the heart of the community, one section holding it as a fear that had passed but might come again, the other cherishing it as a hope that was still to be fulfilled.

Following the troubled times of Chartism came an interlude during which British Capitalism was steadily expanding. It was absorbing much labour, because, whilst the rest of the world was economically immature, it was past its toddling childhood; whilst much of the world was suffering from the destruction and the burdens

of war, Great Britain was at peace ; whilst elsewhere no policy co-ordinating legislation and national economic advantage was being pursued, here the commercial classes were in power and State policy was in the main a counting-house policy. Legislation was increasing the safeguards of labour against Capitalism ; labour itself was strengthening its Trade Union combination in the workshop, and was making demands for enfranchisement in the State. Its constitutional political leanings and the failures of revolutionary and direct action made it turn exclusively to Radical political reform. First, the franchise and after that—what labour wished, and in those days it did not wish very much. That was but an interlude, for at first slowly, but nevertheless persistently, economic interests came to the front. The men who lived through the sixth, seventh and eighth decades of last century had been taught that industrial and political activities had to be kept separate, and felt no inconsistency in taking an active part in the election to Parliament of employers whom they fought as Trade Unionists. Thus, when Socialism again appeared in this country it had not only to tell people what it meant, but had to give the young generation a completely new conception of the value and meaning of political action. That explains the characteristics of the British Socialist movement from its restart in the beginning of the eighties down to the outbreak of the war in 1914.

Marx wrote the " Communist Manifesto " in 1847, and the first volume (the only one that had any propagandist value of a popular kind) of " Capital " appeared in 1873. But it was not until 1884 that a Socialist organization was formed here. The soil had been prepared by Henry

George's "Progress and Poverty," which was published in London in 1879. This roused the radicalism of the country on the subject of land monopoly and definitely brought social and economic interests once more into the political arena.[1] Mr. Chamberlain's earlier Radical campaigns increased this tendency, and public opinion became pregnant with a new social gospel. The Social Democratic Federation, the title of the Socialist society, missed fire, however. It was conceived in dogma; its spirit and propaganda were detached from British moods and thoughts. It was a sect, not a church; a conventicle, not a movement. It never, during its long existence, found its way into the heart of British radicalism. That was apparent to its members, who scanned the market places in vain for a sign that the people were listening and receiving the message. In every industrial town, new but detached groups were being formed animated by the thoughts of a higher social order, confessing on the whole the Socialist faith, but joining themselves by the title of "Labour" to the actual movements of the day. At the same time the whole of labour thought and organization were refreshed by the Dock Strike of 1889 and the subsequent rise of Trade Unionism amongst unskilled labour. This Trade Unionism was of the Left both in the personnel of its leaders and in its spirit and programmes. Its object and *raison d'être* were not to

[1] In a special and limited field of its own the Christian faith had kept alive tiny but courageous movements which embodied in their creeds the hopes of a commonwealth free from the domination of wealth and materialism. Thus we had the Christian Socialist Movement between 1848 and 1854, and, as a forerunner of the modern Socialist parties, the Guild of St. Matthew founded by the Rev. Stewart Headlam in 1877.

carry on merely a conflicting bargaining with capital; it placed as a goal before it a new order of production and distribution. The new outlook and demand took form first of all in the Scottish Labour Party, started in 1888. They found voice in the annual meetings of the Trade Union Congress, where Old Trade Unionist and New fought a civil war to settle whose opinions were to rule. In 1892, during the historical meeting of the Congress in Glasgow, then as now the home of radical labour opinion, a conference of the leaders of the Left was held, and it was decided to summon to Bradford in the following year, a national conference from which would come a national Socialist organization springing from British thought and circumstances and responsive to British methods. Hence, in 1893, the Independent Labour Party was born, and the propaganda of Socialism was begun in real earnest. The Independent Labour Party was no servile church of Marxism.[1] Its Socialism was built up from the economic criticism of Capitalism which the existence of poverty and the failures in the working of the system had drawn forth, and upon the conception of social evolution then prevalent owing mainly to the work of Herbert Spencer. Its method was to win political victories at national and local elections upon Socialist declarations of opinion and policy, and so inaugurate the Socialist State by the use

[1] A Society of non-Marxian Socialist intellectuals, the Fabian Society, had been formed in 1884, but it had little influence in the development of Socialist organization. Indeed, it opposed most of the ideas and policy which have determined the special forms which the Socialist movement has taken in this country, *e.g.*, the attitude of political independence of the Independent Labour Party. Its propaganda work for Socialism, however, has been valuable.

of political power. The Liberal and Conservative Parties, which divided the working-class vote between them and submerged the economic thought and interest of labour in their superficial political differences, were equally attacked, and reasons were given at thousands of gatherings why labour should unite on an economic and political policy of its own, and in a party of its own. This political emphasis led the Independent Labour Party to strive for the creation of a Labour Party which would not insist upon Socialism as a test, but would enlist the support of Trade Unionists in carrying out a political policy which would be in its nature a transition from Capitalism to Socialism. The Party preached the doctrine that Trade Unionism could not content itself with being nothing but a protection for labour within the capitalist system, but had to become an instrument for the transformation of Capitalism, and that, in consequence, Trade Union activities should not be purely industrial but political as well. In time Trade Unionism was persuaded, owing largely to the disappointing experiences it had had with strikes. At the Trade Union Congress in 1899 a resolution was passed directing the Parliamentary Committee to take the initiative in calling, in conjunction with the Socialists, a conference to form such a party. This was held in the Memorial Hall, London, in February, 1900, and the Labour Representation Committee, which, in 1906, became the Labour Party, began its work. In 1905, at its conference at Liverpool, it passed a resolution committing itself to Socialism ; in 1904, it joined and was represented at the Socialist International, which met at Amsterdam. In 1918, it issued "The New Social Order," a manifesto embodying its Socialist principles,

and showing how these principles could be applied to existing conditions so as to transform the economic structure of society.

I have dealt but summarily with the formation of organizations, and only in so far as it has shown the growth of the movement and the unfolding of its policy, and I close this chapter with a statement of how the conception of the new social order has also developed into greater fullness and precision, as its problems have been pondered over in the light of experience and criticism.

DEVELOPMENT OF SOCIALIST IDEAS

Marx had elaborated his theory of surplus value into an explanation and prophecy that capital would concentrate, and that production would become tremendously efficient on its mechanical side, with the result that markets would be supplied irrespective of their needs, the community would suffer increasingly from the lack of co-ordination in the economic system, unemployment would adjust the balance of over-production, and in the end the anarchy of Capitalism would bring social catastrophe. The years preceding the formation of the Independent Labour Party seemed to fulfil that prophecy. There was unemployment, there was increasing poverty, there were trade disputes, there was a spirit of revolt flying about that was upsetting. Only a very small section of British Socialists, however, regarded these surface cracks as the warnings of a crumbling fabric that was about to fall. Men living in communities are slow moving creatures, their spirits are dampened, and do not flare up easily, their trust that the morrow will begin to right their

wrongs is unvanquishable. They demonstrate, and vociferate, and threaten, and pose—and go on. So there was no Marxian catastrophe, no critical process of the Hegelian dialectic. There was reform which we may call patchwork or evolution, as we regard it in itself or in an unfolding idea. There was politics, but no revolution. Our Socialists did not look on recording the evidences of a collapse, but took their part in strengthening the tendencies for reconstruction. The municipalization of gas and water was to be the first act in the drama which was to close with the nationalization of the whole industrial capital of the country and the triumph of Socialism. For the conception of Socialism was a simple one. Capitalism was to be transformed by the action of the State when controlled by Socialists. This power of Capitalism was to be limited, that service done by Capitalism nationalized, until at last the world would awake to find that between certain years it had undergone a revolution and that the caterpillar had become a butterfly. That being the expectation, the programme was not to marshal a revolutionary army but to have elected on all governing bodies a Socialist, or a Socialistic Party. This gave a stimulus to public life which, at the time, it sadly required. The municipality became important, municipal government became something which counted. Books were written about it, journals were founded to continue the stimulation, pioneer authorities like Glasgow and Birmingham received homage as though they were ancient Italian Republics, and became places of pilgrimage. A decade or so of this invigoration saved, I am sure, our municipal government from the serious decay and corruption which seemed to

be overtaking it in the eighteen-eighties and early 'nineties.

The influence on national affairs was less vibrant, and showed itself more sluggishly. Liberal and Conservative had become little more than labels which most people were unwilling to take off their coats; labels, which, belonging to dead days, were accepted by living electors. The new movement provided not only new labels but new issues, and though, to those brought up in old political faiths and in the worship of old political heroes, it was most confusing and annoying to be told that their faiths were lifeless and their heroes antique, to the younger people entering politics for the first time and asking themselves why they should join this party or that, the propaganda ruddy with youth as themselves was commendable. Its social issues did unite to some extent the wage-earning classes divided between Liberalism and Conservatism, and the new party began to appear and then leapt into life as the Labour Party, invaded the House of Commons, and as the result of the war and the political groupings which came out of it, the Liberal Party is threatened with extinction, and the Labour-Socialist Party is preparing to face Reaction and class interest as the only organized party which champions freedom and general national well being.

But before the war came a political slackness appeared. In many places the immediately realizable programme of the Socialists had been accomplished, and the road ahead was not quite clear. The army had only been meeting outposts, and it was now coming into touch with strong fortifications, or with nothing very definite—sometimes the one, sometimes the other. After gas and water—

what ? In Parliament it was brought up against similar difficulties, but of a much bigger import. Taff Vale, Factory legislation, Old Age Pensions, and such-like are good, but they can hardly be called the beginnings of a new social order. They are not landmarks which necessarily prove that at last we are on the way that leads to Socialism. In Parliament one found, what Marx in his forecasts never allowed for, the difference between the craftsman who has to make the transformation and the theorist or constructive critic who only deals in ideas, who thinks he knows something about the effect of the craftsman's work after it has been done, but who generally takes care to assume no responsibility for doing it. So, both on the municipalities and in Parliament, the things ready to be done and easy to be done were soon done, and both bodies threatened to fall back into their old ruts.

Then began a questioning of the efficacy of political methods. It was apparent that if further big work was to be done, majorities on the governing bodies were required, and in but few instances were the Socialist representatives anything but small minorities (in Parliament a very miserable minority). As minorities they could compel majorities to do what obviously everybody wanted, they could prevent evil, they could bring pressure and enlighten by debates and divisions, but they could not change much.

Thus, it was evident, even before the war, that new tactics had to be adopted if the constructive work of Socialism was to be steadily pursued. A section had already appeared, insignificant in numbers, but, to one with a discriminating eye, not at all insignificant in ideas,

which discarded political action altogether. Politics was a confusion of interests and ideas from which no change of the magnitude required could come—so it was said. The workman had to act. He had the final word in his keeping if he only knew it. His power to lay industry idle was really the sovereign power in the State, and by the use of it alone could labour purge Society. Action that struck directly at Capitalism was required, and that could only be industrial. The logic was not bad ; the absolute indifference to the social conditions in which it was to operate had a divine air of aloofness about it. The idea was, by combining the workers into one great industrial union, to overthrow the present system and put in its place one after labour's own heart. Part of this movement came from France, where the philosophy of a violent syndicalism and the utility of the myth as a revolutionary inspiration had been popularized by Sorel, and a belief in the domination of instinct,[1] in conduct, had held sway for the usual length of the reign of a Paris fashion. Another part of it came from America, where the Socialist Labour Party and the Industrial Workers of the World had begun an *intransigeant* propaganda of Socialist industrialism and class war. This American movement was inspired by the writings of Daniel Deleon,[2] a man of Latin origin and temperament. He valued Marx for having written of the revolution that was to establish the rule of the proletariat, for he looked

[1] Bergsonism was the fashion, or the *Zeitgeist*, at the time.

[2] It is also of some interest to note the influence of the philosophy of Pragmatism on this movement, though its effect was not so direct as that of Bergson on the French movement.

upon Society as though it were a South American Republic. He was a singularly well endowed intellectual forerunner of the revolutionary conceptions which an imperfect study of Russian conditions is now commending to Europe as an efficient substitute for Parliamentary inefficiency.

These movements hastened, if they did not originate the most important modification in Socialist conception that has been made since the time of Marx. The leaders had become so completely absorbed in politics, that they appeared to consider that political action alone was the worker's means of improvement, and the political state the only means of expressing the democratic will. First of all the Syndicalist, and after him the Guild Socialist, challenged that view, and emphasized the fact that labour had industrial as well as political organization and power, which ought to be used, and that the scheme of Socialist reconstruction could not be satisfactory unless the former was fitted in and recognized. Up to that time the general exposition of Socialism was State Socialism, a Socialism which, as the "Communist Manifesto" says, was "to centralize all means of production in the hands of the State." That served as a provisional view whilst the necessary work of building up organizations was being done. The consideration of details could be properly and economically postponed till principles were accepted. In this country, however, we had no military or philosophical conceptions of the State to make us assume without thinking that its officialdom could take the place of a hierarchy of capitalists, or its centralized bureaucracy function as a national capitalist trust. The British movement could not be regarded as one of State Socialism, and

it welcomed the inquiry into how far the industrial organization of the workers could be used along with Parliament, not only to effect the transformation but to work in the new system.

The result is that industrial organization has been restored to a place equal in importance to the political organization. Industrial transformation cannot be made by legislative action or Civil Service interference alone; it must also take place within the workshops themselves by labour having to shoulder increasing management responsibility, and by carrying through a policy of industrial enfranchisement worked out in detail for trade after trade. And when industry has been transformed and a communal organization is managing production and distribution for common ends, that organization will not be of the type of a bureaucracy but of a self-controlling function wherein the intelligence of the workman will be used for management as well as his muscles and skill used for work. This is explained in more detail in the section on "Production"; here, I notice the change because it is of the greatest importance in guiding our political and industrial work, and it is a landmark in the development of the Socialist conception of the economic state. The "tyranny of Socialism" is now a bogy word more nonsensical than ever, and the "freedom of the man under Socialism" becomes a still more reasonable expectation. In the first energy of their enthusiasm, the disciples of the Guild idea of industrial control overshot its proper claims, and made it the basis of a brand-new system for building up the political state. Proposals were made to destroy the political state altogether, or to create a series of Parliaments or Councils representing consumers and

producers whose mandates were to run alongside those of the political state without any co-ordinating, or arbitrating, or adjudicating authority being set over them, and complexity was piled upon complexity because a rigid application of an absolute theory had to be made. These somewhat fantastically logical deductions of a method set in a field which is not only inappropriate to itself, but which has been only cursorily and faultily surveyed, must be cut out like rogue shoots from the root. I have dealt with them in the political section of this book. They must not be regarded as part of Socialist theory. In that, the State remains in its proper place, holding the power of supreme sovereignty not only because its interests are communal and not sectional or functional, but also because under any reasonable form of economic and industrial organization mere industrial interests will fill a much smaller part of life than they now do. The failure, conflicts, and waste of Capitalism not only lengthen unnecessarily the time which men have to spend in mine and factory, but intensify industrial problems and make economic affairs loom much larger in human interest than they ought to do.

Be that as it may, these new explorations and happenings have strengthened Socialism in two directions. They have filled in details and so enriched it as a rational scheme, and they have discovered for it the next stage of the road upon which it must go, and so have ended the feeling of bafflement which was stealing over the movement when the war broke out. The Socialist movement of construction will not only traverse political ways, although along them will move the large creative ideas of communal life. It will also advance by the steady

conquest of industrial control by the workers, including foremen and managers, coming into co-operative contact with each other, and by a diminution of the field in which capital is superior, until at last the mere capitalist has disappeared from the scene.

Chapter IV

PRODUCTION

THE ORGANIZATION OF PRODUCTION

PRODUCTS ARE the economic life blood of Society. As the ages have gone past, the organization of production has widened over fields farther and farther away and has become more and more complex. Our ancestors who made flint instruments chipped them from flints found on the spot; when the Iron Age arrived, the forges were blown where the ore was to be found along with the fuel, as in Sussex. The mobilization of raw material in convenient spots came later; now every producing centre draws upon the whole world for what is necessary for its production and uses the whole world as its market. As the massing of the raw material proceeded and production on a large scale became possible, there were so many simple processes to do, that bodies of men did them and nothing else, whilst others brought them together and thus the product was completed. There were both subdivision and co-ordination. That was a cheap and a quick way of doing things. The effect was to make the individual workman incomplete in himself; his particular product was not immediately fit to be exchanged for commodities; he and the work of his hands or his machine were but little things to be fitted into great things. An enormously complicated

system had grown up which embraced the whole earth and every race and colour, which brought every treasure and necessary to its market and workshop, which gave men work and careers, and which, indeed, was the scaffolding, rickety and dangerous as I shall show, upon which the life of communities came to depend with a completeness in proportion to their advance in civilization.

Thus Capitalism arose through a process that has been described until it has become tedious. When a producer made things to meet his own needs and found his material in his chalk pit of his forest, he required the economic help of no one whilst he produced. But when his raw material had to be brought to him, or he only did a part of a finished product or produced one thing in great quantities, a market had to be found and exchange began to operate. Someone was then required to organize all these things and so keep all the processes in touch with each other. Some form of accumulated wealth or credit was also required, so that the workers engaged on a job might be able to draw upon the values they were creating before these values were fit to be used. Production and marketing having become a long process, means had to be devised to keep things going until the product was sold and its price realized. So Capitalism arose to mobilize material, to conduct long processes or production, to handle the mass material produced, and to supply the instalments of money required by labour for day to day consumption.

This is also the basis of the economic defence of Capitalism. It not only does these things as a matter of historical fact, but it alone can do them—so it is

argued and still oftener assumed. Production is no longer the result of a man's labour employed to make what he wants to use, but of organization, in which the act of working is divided by many incidents from the complementary act of consuming. The workmen's stores of food and clothing have to be replenished many times before their work can be exchanged and marketed. Therefore, manual labour has to be directed by organizing skill and brought into contact with a reservoir of wealth and credit. The effect of this is to draw the workman away from his product and to put the product in the possession of the organizer and the capitalist. These are sometimes one and the same person, but often they are not, and then the actual organizer of business is a salaried agent of those who supply the capital and entrust it to the care of others. This separation became formalized in law when the Limited Liability Companies Act was passed in 1862. The capital of trading and manufacturing companies is supplied by investors who have no knowledge of the business from which they draw their incomes, directors are appointed to look after the interests of the shareholders with the guarantee that they themselves hold a certain number of shares in the companies they "direct"; the managerial skill required is hired; the workmen have no concern in the affair but to do a day's work upon a fixed wage, or wage rate. These are the general features of industry to-day. Finance, management, labour, are distinct functions in production united into an inter-related system by capitalist interests, and the product is the property of capital and those that control it. Labour and management thus become the servants of the owner, and

controller of capital, are paid wages and salaries, and have no guarantee that their interests as producers and consumers are to be studied. The ledgers of business alone control business.

The effect of this on production is easy to see. The whole process is divided into rival interests each one limited in its view to its own particular part. The dealer in raw material, for instance, has no concern in manufacture except in so far as its success or misfortunes may affect his market. Each one manipulates his market, organizes his interest, like a military conqueror tries to make the particular field of his operations the seat of Imperial authority. When prices fall, he adopts expedients to keep them up by such resorts as rings, selling agreements, limitations of output, destruction of what, in his interests and in view of his profits, are surplus stocks.[1] Every controlling producer runs his

[1] If labour were as responsible as Capitalism for limitation of output there might be some justification for part of the attacks made upon it for that crime. I select at random one or two statements made officially on this subject within the past month or two. The Chairman of the Rubber Plantations Investment Trust (September 1, 1920) said that tea production should be limited to keep up the price (the company controlled tea plantations). On the 10th October the Dutch Rubber Growers' Association decided almost unanimously that rubber output should be reduced 25 per cent. This was done to grip the market and keep up prices. The Dutch move became international, and *The Times*, *Economist*, *Financial News*, and other papers, during October, reported the adhesion of British, German, French, Chinese, Japanese growers. Early in December, 1920, it was reported from Cairo that capitalist interests had decided to restrict the cotton-growing area in Egypt. Evidence of the destruction of raw material by capitalist owners in order to keep up price is plentiful.

little affair in his own interest. That interest may in the long run be conditioned by the communal well-being, but it often is not. And at no point is this well-being considered as a dominating factor in production. Communal advantage has more frequently to accommodate itself to the interests of Capitalism than to direct and control those interests.

A study of the way in which raw cotton is handled will show the nature of the system upon which I am commenting. Of the cotton crop raised in the world, America contributes from 50 to 60 per cent. It uses about half in its own mills and exports the rest, Great Britain taking about half of that. Roughly, of every three pounds of raw cotton used by us two are American grown. In this industry about 600,000 people are employed, and they with their dependents account for from three to four millions of our population. Such is the importance of the industry.

The American cotton growers are in a slavish economic position. Some own their own lands, but many rent them (usually at high figures) from plantation owners. The grower, as a rule, is short of capital, and lives from season to season by running up accounts with local storekeepers, who are generally agents of cotton factors. The storekeeper has a lien on the crop by which the grower's debts are guaranteed. Growers on a large scale can finance themselves or deal with banks. The first middleman is the factor who handles a considerable percentage of the total crop, and he in turn is in the hands of banks and cotton syndicates. Thus, the financial transactions involved in cotton sales provide for commissions for local money-lenders, local banks,

factors, New York banks, inland bills of lading, bills of exchange—from beginning to end a most wasteful system.[1]

The importance of the cotton trade, the vast sums of money involved in it, and the precariousness of the crops, lead to colossal speculation. Uncertainty and need are used to increase profits and to add to charges. "Can I make money out of this?" is the question which this system of capitalist operation dins into the ears of everyone in the trade. Risk is the mother of speculation. Thus, in addition to the wastefulness which the poverty and lack of organization on the part of a large section of the growers involves in the marketing of raw cotton, an elaborate network of gambling has also been woven into it. Theoretically, this has its uses. It might result in preventing violent seasonal fluctuations and in stabilizing the market, making rises and drops in prices

[1] The world is full of experiments and the failure of experiments made by producers and consumers to come into direct contact with each other, and so save industrial waste and bondage, and a description of the American cotton market suggests the long struggle that has been carried on by the Nebraska farmers to do their own marketing. The result enforces later arguments which I am to develop. They built their own grain elevators and ran them by a Co-operative Society of their own. They failed and failed, but they were not discouraged, and in the end they overcame. To-day, in wide districts their societies have eliminated the grain middleman, the livestock middleman, the miller manufacturer and middleman; they control their coal supply, lumber yards, creameries, insurance. Nearly two-thirds of the 75,000 Nebraska farmers are members of these co-operative undertakings. The pooling of crops is beginning. At the outset, Nebraska was faced by the opposition of a railroad ring, but that it broke by politics.

orderly by averaging them. That is urged when dealing in futures is criticized. It is said that when the price of cotton depends less upon uncertain harvests than upon business speculation, the supply goes through to the mills at prices which are determined not by momentary but by more permanent influences. It is argued that gambling depends upon mathematical laws of chance, and that consequently dealings in cotton futures steadies the market. Though in a given season this would mean that the price of cotton is higher than that season's conditions warrant, still, if it enabled manufacturers to calculate costs ahead with some certainty, it would benefit industry. It fails to do this, however, and does much more than this. It is worked for the manipulation of prices, it introduces reasons of its own for fluctuations, it entails great financial transactions which add to the market price of the crop, and it lends itself to frenzied speculation on the uncertainty of demand which is as disturbing to prices as the uncertainty of supply. It promotes rings and monopolies in supply, and transfers to financial operations the control of the industry. On account of it, the cotton crop of an ordinary season may be sold from twenty to forty times over.[1]

Thus, the needs of industry are lost sight of in the pursuit of wealth. Of course, if the holders of raw material were to stifle industry by their folly, they themselves would be involved in its ruin and would lose their market. But that obvious truth does not primarily

[1] I have used for the purpose of this summary statement an article on "The Selling and Financing of the American Cotton Crop" in the *Economic Journal*, December, 1920.

control their action. Industry is hard to ruin. Consumption must go on, whatever difficulties are put in its way. Therefore, raw material may be the subject of the fiercest and most costly speculation, its amount may be limited in the interest of its holders, its price may be artificially forced up, its marketing may be the occasion for an elaborate system of commissions and profits secured by financiers and middlemen, and industry will still go on overcoming all obstacles and shifting costs ultimately on to the final consumer. But the community suffers and has to pay the bills of the waste either in high prices or in a low standard of life.

Obviously, if production is to be carried on with some security and efficiency, the supply of raw material ought not to be the subject of an interest organized apart from the users, but should be subordinated and controlled by the users. It should be an organic part of the system of production managed to meet its needs and reduce its costs. This contention is indeed admitted by capitalist production itself, where we observe that the tendency is constantly to co-ordinate complementary industries and supplies under one management, and to eliminate separate interests in linked processes. The United States Steel Corporation (capital £369,000,000) was created on this idea, and brought coal, iron ore and furnaces under one management. Soapmaking firms find it necessary to be the owners of their own oil-producing estates and acquire islands in the Pacific and tracts in Central Africa. Iron smelting firms, like Dorman, Long and Co., which is the centre of a great group of contributing industries, work coal mines, lime quarries and iron ore deposits both at home and abroad, and

treat the whole as one producing unit, with one trade balance, whilst other firms, especially those engaged in armament manufacture, have, by purchases of each others' shares and exchanging directors, become an intricate network of combined interests. Cotton manufacturers have promoted cotton growing enterprises which they could control, and, like the Fine Cotton Spinners' and Doublers' Association, own plantations. Wherever any form of production is being carried on on a large scale, a tendency arises for it to try and command its necessary raw material on the one hand, and its market (as, for instance, in the case of boot and shoe manufacturers who start multiple shops to sell their products) on the other.

But the best example of this inevitable tendency to co-ordinate the whole process of industry from raw material to the wares passing over the shop counter, is seen in the Co-operative movement. This acquired its power as an agency of distribution through separately-managed shops. Its first extension was to provide a wholesale organization for itself, and this it built up. Then it proceeded to manufacture so as to supply the more generally used household necessities, like clothing, bread and other foods. From that it went on to acquire land, both at home and abroad, for agricultural produce including such things as tea and coffee.[1] From that it

[1] As an indication of the scale upon which these developments are being made I note on the agenda to be considered by the delegates attending the quarterly meeting of the Co-operative Wholesale Society that approval is asked for the purchase of estates in India, Ceylon and West Africa, and for land in twenty-four different English towns for business extension (January, 1921).

proceeded to organize its necessary transport, and became possessed of a fleet of ships. Its latest development is a bank by which it finances itself.

Thus we can see that in industry there is a law of concentration by which not merely do small businesses of the same kind tend to unite into large ones, but different processes with the same inevitability tend to be co-ordinated so that they become related parts of one industrial unit.

I must not anticipate the completion of my argument, however. Thus far I have been dealing with the effect upon production of the control and supply of raw material by profit-making interests, and I have shown that such control must hamper production, must make it costly, and must prevent social wealth and advantage from being the predominating consideration. In modern production, the tropics are a source of essential raw materials like vegetable oil, and mineral oil abounds where government is weak and civil order uncertain. This leads to territorial annexation, to the economic rivalry of great States, to the exclusion of unpopular ones, to armaments and to war. It also leads to politico-moral results almost as disastrous to a healthy State. It puts temptations in the way of civilized States to employ "natives" as tribute labourers, as has been proposed by our Empire Resource Development Committee, and thus to become demoralized by something akin to slave owning. The next step will be that Capitalism, in its own interests, will establish extractive plants in these regions, use forced labour in them, and export the partly-finished products to go through the more technical final processes here. When that takes place, we approach

the end of States, for wealth created after that fashion and brought in as tribute, is a canker at the heart of peoples. All this happens not because community interests require such developments, but because the interests of capitalists must extend their possessions and their conflicts, and must not only dominate the community by their trade combinations, but drag the political State into these foreign annexations and rivalries as well.

FREE COMPETITION

When we follow materials to the next, the manufacturing stage of production, we find the same evils springing from the same causes. Controlling capital puts itself first. It arranges the markets, if it can, to suit its own interests primarily. In a world of absolutely free competition, public advantage might coincide with capitalist profits. The argument is that too high prices could not be charged, too low wages could not be paid for the necessary skilled labour, adulteration would be difficult, quality in production would carry against inferiority—if we had truly free competition. This is set off, however, by the consideration that, in bargaining on the open market, labour is at a disadvantage against capital owing to the difference of their training and of the pressure of their necessities, that the public has no protection by reason of its knowledge against adulteration and that it will always be imposed upon by low-priced bad articles. Absolutely free competition requires these amongst other conditions. The purchasing and consuming public must be intelligent enough not to be

imposed upon but to take the trouble to understand and pursue its own advantage ; there must be no tendency or opportunity for competing capital to combine and, by agreement or extension of control, relieve the pressure which free competition imposes upon rival manufacturers and salesmen ; the workman must be really as free as the capitalist to hold out for a just price, not in relation to immediate needs, but to a normal satisfactory life. These conditions do not exist and in the nature of things hardly can exist. The workman in combination can put up a good fight for equality, but sweating is always possible in a very extensive field which may, however, be substantially narrowed in time by such expedients as Wages Boards. The public must trust to honest men to supply it with goods of a quality which it desires but cannot test, and therefore the competition between salesmen, whether of drugs or pots, must always produce a rivalry in the arts of " palming off " and, in a large part, though certainly not all, of its transactions must be concerned not with serving but with victimizing consumers. In fact, it is a complete fallacy to suppose that preying upon the public will be cured by free competition as tuberculosis is by fresh air. The inferior in commerce as in life cannot be stamped out by rivalry or mechanical means. It has to be attacked by the organized reason.

Moreover, there must always be a tendency in Capitalism to avoid the troubles of competition whether by tariffs or combines. It is quite true that an economic monopoly, not being a natural monopoly, can never be made complete, and that if it goes too far in its exactions, it raises new rivals. But as is abundantly

shown by the history of such ventures as the Standard Oil Company and shipping rings, the power of the combination, by undercutting or by penalizing those who deal with rivals,[1] makes it difficult for competing enterprises to spring up. It is not outside the bounds of possibility for capital to entrench itself so securely in the major industries of the whole world as to defy effective competition. So, within a pretty extensive margin, economic combination can act as though it was a natural monopoly.

ECONOMIC MONOPOLY

In our own time we have seen two prodigious monopolies of this economic kind created here—the Coats' combination in sewing thread, and the Imperial Tobacco Company; in America, these combinations are more common, and one of the latest, the Meat Trust, a combination of the five[2] most powerful packing firms, has been repeatedly dragged before the public owing to the complaints regarding its transactions, and has finally been the subject of an adverse decision in the Law Courts.

[1] This method was practised by the owners of boot and shoe machinery patents much to the hampering of other patentees and the interest of the trade. Contracts had to be signed binding users to purchase no patents or machinery, but what the monopolist firm held, or could supply, and as the firm held key patents, his was tantamount to the enforcement of a complete monopoly.

[2] In their foreign business these five have traded under no fewer than thirty-eight different names.

The Sewing Thread combine has been in existence since 1890, when it started with a capital of £5,750,000. In 1895 and 1896, it absorbed important competing firms and increased its capital finally to £10,000,000. In 1897, a rival combine was formed against it, and the war between the two was felt in low prices. In the end, the second combine had to surrender with its capital of nearly £3,000,000, and was brought into association with the other.

The Tobacco combine was effected in 1902 owing to the purchase, for $5,000,000, of an English firm by the American Tobacco Company, and the starting of fierce competition on the British market. By the end of the year the two leviathans came to an agreement, and, by the formation of a British American Tobacco Company, covered the whole world and divided it. The issued capital of the Imperial Tobacco Company was, when its books were closed on 30th September, 1920, 4,500,000 Preference and 16,002,523 Ordinary £1 Shares, and in 1919-20 its current account with, and loans to, associated companies amounted to £7,200,000, and in these companies it had invested £11, 356,000.

CAPITALISM IS COMBINATION NOT COMPETITION

These are huge outstanding examples towering over business as mountains over a landscape, but they are unique only in size, and it has been estimated that there are now at least 500 effective combinations operating in British trade. The Committee on Trusts appointed by the Ministry of Reconstruction began the report which

it presented in 1919 with this statement: "We find that there is at the present time in every important branch of industry in the United Kingdom an increasing tendency to the formation of Trade Associations and Combinations having for their purpose the restriction of competition and the control of prices" (p. 2). It names thirty-five combinations (warning us that the list is not "at all exhaustive") in various sections of the iron and steel industry. These control "a large proportion of the trade," which makes the Committee remind us that an economic monopoly to be effective need not be complete.

The production of chemicals, an industry which now ramifies into a great variety of other industries, "is almost wholly in the hands of two great consolidations." The electric, soap, wallpaper, salt, cement and textile industries (spinning, dyeing, printing), as regards output and prices, are "effectively" controlled. There is a prices and output control in the furniture trades. The building trades are in the clutches of rings formed "for the monopolization of raw materials or means of production by limitation of output and maintenance or inflation of prices."[1] Fifty-nine per cent. of building materials are fully or partly controlled.[2] The Ministry of Munitions supplied the Committee with names of over ninety combinations of one kind or other, formed to

[1] "Report of Committee on Trusts," p. 36.

[2] In 1921 (when this was written) the Lockwood Committee made a series of the most astounding revelations regarding building combinations in America, which have resulted in smashing fifteen combinations and a fall in prices of 30 per cent. The American methods were precisely the same as those described in

restrict competition, with which it had come in contact.[1]

Nor are these operations confined within national boundaries. The International Rail Makers' Association is an international syndicate which, like the Tobacco Trust, covers the whole world, and is controlled by British, American, German, French, Belgian, Spanish, Italian makers. This was before the war. The International Aniline Convention of German and British producers of Aniline oil, controlled prices and output and rigidly fixed conditions of marketing. The International Glass Bottle Association, formed in consequence of an American patent which revolutionized production, combines the interests of makers in Britain, Germany, Austria, Holland, Norway, Sweden and Denmark, and, working with American producers, controls the world supply and its price. I have dealt with

the text, with the exception that they included agreements with Trade Union leaders—one in particular—to aid them. In America, Capitalism works with a thoroughness which it hardly dare to employ here, but in view of the reference I make later on to the Bedstead Makers' agreement with labour, this is what is stated of this American case. "On December 17th, 1919, the Building Trades Employers' Association entered into an agreement with Brindell's [the Trade Union official] Building Trades Council, whereby the association members were to use none but Brindell workers and the Brindell men were to work for no one not a member of the association. This eliminated from the building field the few independent contractors remaining."

[1] I supplement what I have written in the text with a short list of some of these combinations, because readers should be in no doubt as to the fact that combination has secured the great strategical points of advantage in industry. Bedstead Makers' Federation (controlling four-fifths of the output); National Light Castings Association (including about 100 firms); Associated Brass and Copper Manufacturers of Great Britain, which works

Tobacco. There are also metal syndicates, like the Aluminium Syndicate, operating in the same way; and from both Germany and America this recital could be considerably extended. Sixty per cent. of our imported beef (before the war) came from combines, and steel, drugs, chemicals and the bulk of our trade with Germany passed through the hands of the 500 Kartels then in existence in that country.

If I were to compile an exhaustive list of all known syndicates, formidable as it would be, it would be but a fraction of the combinations which limit output and control prices. For this is done to a considerable extent by understanding and agreement never expressed in documents. For instance, when the United States

with several combinations to keep up prices; white lead, sheet lead, lead oxide and spelter are also controlled; carpets, linoleum and floor cloth are under what "are understood to be definitely price associations"; the output and price of bobbins are controlled: explosives, nitrates, oil and petrol are controlled; dyes are controlled and the Government policy regarding them is to extend the power of the control; glass, especially glass bottles, is controlled. Some of the controlling companies with their capital are as follows: Fine Cotton Spinners' and Doublers' Association (capital including debentures £8,450,000); Bradford Dyers (£5,300,000); Calico Printers' Association (£8,227,000); Bleachers' Association (£7,073,000); Associated Portland Cement Manufacturers (£8,734,000) and British Portland Cement (£2,800,000); Salt Union (£2,600,000); Borax Consolidated (£4,252, 000); Wallpaper Manufacturers (£4,000,000); United Alkali Company (£6,175,000); Brunner, Mond and Co. (£4,598,000); Lever Bros. (£15,143,000 in 1917, by 1921 £47,000,000 plus £4,000,000 first mortgage debentures); British Oil and Cake Mills (£2,336,428); an association of electrical material producers controls an aggregate capital of £33,000,000. The figures are those given in the Report on Trusts, *q.v.*

Steel Corporation was being harassed by anti-Tr
legislation, for a period of over three years it transac
its "illegal" deals without let, hindrance or fear at
famous Gary dinners given by its president to rep
sentatives of about 90 per cent. of the steel product
of the United States. These "understandings"
common in the British coal trade, both locally a
nationally.

A survey of the facts at our disposal compels us
conclude with the report of the Committee on Tru
unanimously signed: "We are satisfied that Tra
Associations and Combines are rapidly increasing in t
country and may within no distant period exercise
paramount control over all important branches
British trade."[1]

I shall discuss the social effect of combinations pr
sently; all that I wish to establish now is that the fr
competition of the theoretical text-books does not exi
It is as much an abstraction as the economic man.
elements are there, but they are in combination wi
modifying and opposing elements. And I wish
emphasize the fact that so far from the system of priva
Capitalism being one based on competition, its urge
tendency is to limit competition, and confine it to t
smaller and less organized transactions on the margin
the trading field—the small booths on the outskirts of t
great show. In considering how far the present syste
works for the communal well-being, we must not ma
the mistake that that system is one of free competitio
Rather it is one of economic monopoly tempered

[1] "Report," p. 11.

the fear of a return to free competition. Such is Capitalism.

THE POWER OF CAPITAL

When the features of capitalist combination are studied, the first thing that must strike one is the overmastering advantage which it gives to capitalist interests. To begin with, the combinations are generally overcapitalized, and that means that their advantages, if they succeed at all, belong to capital. The process is easy to understand. A business succeeds and can pay a high percentage on its original capital. It then enters a combination where, by the elimination of competition, its dividend-earning value is enhanced, or it is turned into a limited liability company, with the result, in either case, that the burden of capital which it has to carry, and upon which it has to return satisfactory profits to its new owners, is multiplied five, ten, or twenty-fold. Its original success was due, perhaps, in a small degree to the capital invested in it, and in a great one to the brains and business ability spent upon it. In its new phase it has been turned into a purely profit-making machine—a means of earning incomes for shareholders who bought not the business but the profits, paying for them the market rate of industrial capital. If the combination or company should succeed and earn profits so ample that great reserves have to be accumulated, the reserves may be distributed in the form of shares, and so the burden of capital which has to be borne is again increased without increasing by the fraction of a cent the amount of capital required in production. Capital harnesses to its service

all available surpluses, however created. Capital seizes for itself the product of brains, the marginal profits that cannot affect price,[1] the power of the economic concern to keep prices above cost of production. Capital is often hard squeezed by finance, by rent-owners, by labour and so on, but it is the residuary legatee of production, and were it not dissipated by folly and redistributed at death it would soon be in absolute control of Society.

The facts upon which this estimation of the power of capital is based lie plentifully at one's hand and can be drawn from every department of industry. Let me instance what was done in 1918 by the shareholders of the Powell Duffryn Coal Company. This company gave each of its shareholders one share for every three held, and in addition paid them dividends of 20 per cent. free of taxation. When it was known that that would happen the £1 shares of the company were quoted at 74s. An

[1] This takes into account the contention made, particularly by the directors of the thread combine, that though their aggregate profits amount to millions and their dividends to Midas proportions, the number of reels of cotton sold is so great that if these profit balances were used to reduce the price the gain would be an infinitesimal portion of a penny per reel. Supposing the contention is sound, and that the colossal fortunes made by the chief capitalists in this industry represent profits that cannot be distributed amongst customers, the question has still to be answered : " Why do they go to capital ? " Why should capital claim the right of residuary legatee, and why should it use that right to fix upon industry obligations to pay for vast sums of capital which it never has used, never will, and never can use ? On the moral side capital has less right to those surpluses than labour or the community ; on the business side their capture and use by capital is a handicap to production and an injury to the body of consumers.

apologist for the transaction defended it in these simple words, to which the most avowed enemy of Capitalism need ask no addition. "A distribution of shares in this way is more advantageous to the shareholders than cash, as the bonus shares are themselves dividend earning." The meaning of the state of things described is not difficult to see, and can be put in this way. The Powell Duffryn Company required £3, as assistance from capital for its development, and upon that capital it was very successful. On account of the dividends it paid, the £3 were sold on the market for something like £7 10s., and the new holders of the bought shares would not, therefore, be content unless they had dividends of an average amount on what they paid for their shares. The management had, therefore, to produce results on a capital which had been multiplied by two and a half without an extra pound having been sunk in the undertaking. Then by a resolution of a meeting, the three pounds became four,[1] but on the market, the money articles told us, they became about ten guineas. Thus, capital, by seizing upon all the surpluses, had increased its hold upon the industry three and a half fold. The Metropolitan Carriage, Wagon and Finance Company, in 1912, gave to its ordinary shareholders one bonus share for every two they held, and in

[1] So far as I have been able to find out, this is literally what happened. If the fourth pound had been used as capital for development or other profitable expenditure, the real capital of the company would have been increased and would have been drawn from reserve, a legitimate proceeding. But there appears to have been no increase of real capital, and the extra shares only represent a power to draw dividends earned by the original capital without appearing to be drawing too much.

June, 1917, one new bonus share for every old one held. On this watered capital it paid dividends of 15 per cent. free of income tax, which is equal to 60 per cent. on its true capital. In other words, the capital in this company gets six or seven times its economic share. Of the British American Tobacco Company's capital of £8,359,272 (in 1918) the astonishing sum of £5,571,123 was created by the issue of bonus shares. In May, 1919, the chairman of this company boasted that whereas the net profits distributed in the first year of its existence were only £148,541, for the year 1918 they were £3,140,174, and 30 per cent. free of income tax was to be paid as dividend. This abnormal dividend represents nothing but the exploiting value of combination. That year a further issue of 2,131,733 shares at bonus rates was made, Lord St. Davids remarking : " As nearly as I can reckon, the shares that have been allotted to the shareholders at £1 per share are a bonus to the shareholders of something like £10,000,000 sterling."[1] In August, 1916, the company which owned the White Star Line increased its capital of £750,000, to one of £3,750,000, by distributing £3,000,000 of reserves not as dividends[2] but as shares. When the Moor Line was wound up in 1920, £130 was paid on each share (these were issued at £10). This is enough to prove my case, but, did I care to multiply

[1] It may be observed that when the British-American section of this combination was declaring a dividend equal to 37½ per cent., it was discharging Liverpool employees and congratulating itself on its charity for giving them a month's wages !

[2] As I shall not return to this again, I note in passing that this method of dealing with what are really dividends and income incidentally cheats the nation out of income tax.

examples, I could cite what has been done by companies like the Birmingham Small Arms, Brunner Mond, Maypole Dairy, Babcock Wilcox, and others all engaged in industries of the most vital importance to the general system of national production.[1]

These profits are accumulated from prices. They can come from no other source, for even if they are possible only by reason of the economies and efficiencies of combination, they ought, on all theories of the virtue of competition or of the social ends of production, to be used to reduce price, after the proper charges for services have been met. I have just noted that one of the justifications put forward by a possessor of an enormous fortune made possible by combination was, that though the profits were large they were accumulated from such vast numbers of units of purchase that, if distributed in a reduction of prices, they would be dissipated without helping the customer to any appreciable degree. With the implications of this argument I shall deal in a later portion of this section. It comes into my mind at this point so that I may say of it that it is certainly not generally true, whatever may be the case with cotton reels.

COMBINATION AND PRICE

Competition may be carried on till it can be justly described as "cut-throat," and then the consumer

[1] In some cases these share bonuses are true additions to capital, as when reserves have been used for development and the amounts sunk ultimately distributed amongst the shareholders. Cf. Sir Hugh Bell's statement to the Horden Colliery shareholders; *Common Sense* 11 December 1920.

receives privileges in lowness of price to which he is not entitled, and which are made possible by doing injustice and injury to one or other of the factors in production. We can all remember the cut rate Atlantic fares when the steamship companies fell foul of each other ; and most people who follow political controversy will remember the accusations which his political opponents used to make against Mr. Chamberlain for having been a party to the ruining of rival screw producers by under-cutting prices. In streets where shops run in unbroken lines, we often see this warfare in window prices. It is only fair and expedient that suicide and murder should be avoided if possible in trade, and combinations seek to put in that plea as a justification for themselves. It does not explain their prospectuses or their working, however. The rule of combination working is that prices shall be kept as high as possible—that is, up to that point when the increase will diminish the total profit derived, or opposition and exposure will lead to unwelcome results. This is true whether the combination is in the form of a trust like that of sewing cotton and tobacco, or of a prices ring like the Bedstead Makers' Federation, or the combinations in building material which received such scathing exposure in the press in connexion with the controversy on housing shortage after the war. Nearly every combination confesses in its articles that its main purpose is to keep up prices.

The associations in the iron and steel industry mentioned in the report of the Committee on Trusts to which I have referred, are, in " a large proportion either permanently or intermittently *price* associations." Ninety per cent. of iron casting production is priced by a ring, so is the product of four-fifths of the metal bedstead firms.

It has been stated repeatedly that a combination which controls 80 per cent. of the products, can control price. According to one of the appendices to the Report on Trusts, "it transpires that in innumerable lines of manufacture anything from 80 to 100 per cent. of the whole national output of the articles concerned is either in the hands of one dominant consolidation or of manufacturers grouped together for purposes of concerted price and other control in a trade association. [1]

The facts are beyond dispute. The consumers, and the community as an organic whole, are no longer protected by the levelling influence of competition. The public is at the mercy of combinations of capital controlled by their own interests primarily, and by their own judgment of the conditions under which these interests are to be promoted. The facts from which my case has been built up are, in the main, pre-war facts, but the experiences and practices of the war have given a great impetus to further combination. The organization of capital has proceeded apace since

[1] During the war the farming interests made abundant use of the economic advantage which their position gave them. For some time attempts were made to force up milk prices by combination which offered some extra profits to retailers, the wholesale combinations fixing minimum retail prices. If retailers sold below those prices their supply was stopped. I have a letter before me which was sent to a Co-operative Society from a farmers' combination known as the United Dairies (Wholesale), Ltd., and it contains the sentence: "We understand that you have been selling at ½d. per quart less than other dairymen in your town. If so, we shall be glad if you will now fall into line with the others, otherwise we fear we shall be reluctantly compelled to stop your supply." The Society, I may add, was making a satisfactory profit off the lower price.

1914. It is urged by the spokesmen for the combinations that they are necessary, and that, though in practically every case they are by their own declarations formed to raise and maintain prices, they do not propose to go beyond what will give a fair return on capital and encourage the development of the trade itself. What that is to be, however, the capitalist is himself to judge—a position of privilege and power which is inconsistent with any sense of security or of confidence—a position, moreover, which balance sheets and resolutions of shareholders' meetings show will be grossly abused. A customer of one of the combinations gave evidence to the Committee on Trusts : " It starves its distributors, its heavy profits are a toll on the wages of the poor, and the necessity of the public becomes its opportunity " ;[1] and officers of the Ministry of Munitions referred to " very exorbitant prices " and the operations of combinations " which had, in fact, led to a rise of prices to an excessive extent."[2] Again, to quote once more from an Appendix to the Report of this Committee, " although exceptions are not wanting, it may be said generally that the result of combination has been to increase profits " ; and, dealing with the plea that combinations can be trusted not to use to the fullest their powers of exploitation, " little more can be said than that the power conferred by monopoly is *capable* of being used to exact immoderate prices,"[3] or, as the Committee itself has said : " Whilst fully recognizing the honesty with which the great bulk of business in this country is conducted, it is obvious that a

[1] " Report," p. 5.
[2] *Ibid.*, p. 7.
[3] *Ibid.*, p. 24.

system which creates virtual monopolies and controls prices is always in danger of abuse. We are confirmed in this view by a survey of the operations of similar combines and associations in other countries." [1]

That that power is imperial is only too plain from a study of how it is exercised and the machinery available for its exercise. The grip of the combination suits itself to every opportunity. Some combinations bind down their users after the manner of the boot and shoe machine-making company to which I have referred ;[2] some work through special rebates or discounts deferred until customers have in their trade over a period observed conditions, including a promise to handle no goods competing with those of the combine ; some work a pooling arrangement by which the combined firms are penalized if they produce more than their quota, and are indemnified if they fall short (this limits production, and, if it were a Trade Union rule, would be anathematized from every housetop) ; some bind their retail customers not to sell below a certain price fixed for them, and thus appear to protect them in the enjoyment of specially high profits ; some fix the prices at which the products must be sold wholesale by the combined firms ; some prevent free tendering for contracts (as in the building trade) ; some divide the country, some the world, into areas, and assign them to members of the combine ; some absorb the combined businesses, whilst some keep them separate but submit their activities to a grand controlling executive which manipulates the total production ; some have selling organizations which sometimes handle the goods of other firms. Combination has been long at work

[1] Report, p. 8. [2] *Ibid.*, pp. 86 and 120

meeting its problems in detail and overcoming them. It is perfectly plain that a combination controlling the necessary percentage of the output of certain essential products, or owning a key patent, can hold the whole consuming community at ransom, and fix prices far above economic levels.

THE NECESSITY OF COMBINATION

The necessity of combination I admit. In the earlier stages of industry—a hundred years ago in our own country, for instance—when organization is loose and the pressure for raw materials and upon markets is not great, before fierceness has appeared, competition can rule and be accepted as a tolerably satisfactory safeguard. But these times pass, and organization and combination come naturally into the system. Then competition brings new results. It becomes the law of the jungle within production, it preys, and is gradually superseded on account of its destructiveness. It finds a last refuge in the somewhat starved patches where the factory, or shop, or trade is not well equipped with the means of self-protection and not favourable to the formation of unions for mutual protection. In the fiercer times of trade and in these margins where mutual aid does not run, competition becomes something like cannibalism, and while for a time it may secure cheapness to consumers, the apparent advantage is paid for from capital and from the deterioration of the trade. For price is kept uneconomically low by using wealth that ought to be reabsorbed to increase efficiency and promote development, and also by encroaching upon labour standards and so creating a sweated

system. A community cannot avoid paying the full price for everything it uses. If it does not pay in one coinage, it pays in another.

Therefore, the Socialist takes a purely historical and not a moral view of combination. It is the inevitable development of Capitalism, not the sinister design of the capitalist. Its appearance, though attended with the dangers I have indicated, ought not to give rise merely to moral condemnation; it is a problem in the evolution of economic power. It marks the end of one phase of the function of Capitalism in Society and the beginning of a new one with problems peculiar to itself. Capitalism grown into the giant that controls monopoly is in a totally different relationship to Society from what it was when it was merely a lusty youth increasing its strength by wrestling in competition with others of its own kin. The end of Capitalism is monopoly, and when that end is reached, the menace of Capitalism, uncontrolled except by its own self-regarding will, is undoubted. It then becomes a State within the State with power that can be used far more effectively than political power. "Freedom (for capital) from public control will therefore mean not free competition, but concerted or unified control by private interests." The simple issue then is: Can the community be the combination, or is it doomed to be ruled by the combination?

THE FUNCTION OF CAPITAL

Before proceeding to detail the constructive plans of Socialism to procure abundant production, I must point

out how impossible it is under Capitalism to procure the most essential condition for such a production, namely, the getting from labour a hearty and a maximum effort. Let me try and make this hard and clear, even if, in order to put the essential facts together here, I may have to repeat some already used for other purposes.

The interest of Capitalism is to take to itself all the advantages of improved management, invention, efficient labour, social opportunity, and in its practice, as I have shown, it is often very successful. On the other extreme, labour often puts forth the claim that all wealth belongs to it, basing itself on the generalization of Adam Smith that labour is the source of all wealth, a statement very much in need of analysis and definition. Further, more confusion has arisen in sociological inquiry owing to technical definitions of capital which do not correspond to the common and every-day use of the word. Where the context does not show otherwise I use the word in its every-day meaning. But if we stick to simplicity where that does no serious injury to accuracy, we can say that in the process of production labour has to be aided by accumulation of past products, the consumption of which has not taken place at the time of production, but is averaged out so that some prolonged period can divide production and consumption, and thus enable long processes of production to be undertaken.[1] As I have pointed out, this necessity for holding up and averaging consumption was the condition from which the

[1] This is only a prolonged and organized form of the capitalism of the primitive man who sustained himself by the game which fell to one arrow whilst he was making a new one.

system of Capitalism arose. As economic systems become more complex, means are found—characteristically by banking and credit—for handling and systematizing the processes of deferred consumption and add to it the equally potent instrument of anticipated production. In the end, we have the capitalist system armed from head to heel with all its resources from workshop ownership to high finance—the humble but useful servant of the community become its controlling and all-powerful master.

LABOUR UNDER CAPITALISM

In this system, labour is absolutely subordinate, and its function is as mechanical as though it were a machine driven by power, and begun and stopped by the pulling of a lever. It has its prescribed day ; it has its stoppages to prevent deterioration, to enable it to be oiled, adjusted, mended ; it has to produce a standard product in quality and amount ; its costs are reckoned up, and how to work it most efficiently is studied—whether it should play football at its employer's expense or have one per cent. of his profits ; when producing, it is the property of other people ; when it is not required for profit, its power is turned off and it lies idle. The friction shown in that false distinction which has been creeping into our minds of late owing to the claptrap phrases of politicians who are demagogues and can only appeal to passion and enmity—labour *versus* the community—is a proof of the constant injustice in thought and word done to labour when it comes into conflict with capital or capitalist

governments. People will not take the trouble to understand that this mechanical and property relation is the actual relation of labour to capital under Capitalism. Labour is the property of capital, and when it fights to be free it must damage the community through Capitalism, and on such occasions " the community " imagines itself to be the party attacked. The enemy of the community is in reality Capitalism, whose economic system is at war with reason and equity.

The temper shown by classes to each other and the way they regard each other, are products of historical experience.

Labour is no willing or hearty co-operator with capital. Its first position on any matter in dispute is one of opposition. In every trade, at some period or other the hard and absolute relationship of ownership, the relationship of labour as a seller and capital a buyer driving an exclusively economic bargain on a market where the seller was so weak that his bargaining power was nil, held good.[1] The personal touch of the employer could modify this to some extent, but with combination that goes, and labour then comes in conflict with a system or a machine, and personal influences are no longer available for reason and amelioration. The most cruel case of all is that of the miners, who, a century ago, were sunk right down to the bottom of the darkest pit of brutish treatment and economic slavery. No social conscience came to their aid. They had to perform the miracle of lifting themselves up by their own belts. Society regarded them purely as outcasts moved by

[1] *See* Mr. and Mrs. Hammond's " The Agricultural Labourer," " The Town Labourer," " The Skilled Labourer."

passions and appetites that were sub-human. So, when they began to improve themselves, their very degradation was the cause of prejudice, and to this day the public cannot weed out from its mind the terrors which possessed its forbears a century ago, when the horrid miner was mentioned, or when he stirred ominously in his pit or his hovel. A movement on the part of the miner has always filled the mind of the ordinary member of Society with a resentment and fear which lend themselves to an unbridled credulity as to the habits of this poor human being struggling from slavery to self-respect. He meets on the way all the temptations to which his superior brethren joyfully succumb, but to him they come in hobnails and fustian—whippets instead of race-horses, cheap fancy drink (occasionally) instead of dear champagne (habitually), Ford cars (now and then) to go to work in instead of Daimlers (always) to go to pleasures in. (So far as the miner is concerned the last two luxuries are more imaginary than real.) And those whose "respectability" he would imitate and whose pleasures he would copy with the means at his disposal, find in his efforts nothing but proofs of his degradation! No section in the community has had more injustice done to him by public opinion than the miner. Can it be wondered if he, left to battle his own way to self-respect returns these feelings with interest?

In none of its effects has the system of Capitalism done more harm to Society than in this divisive tendency. Labour eyes Capitalism as a traveller on the highway used to eye every gay and well-appointed gallant whom he happened to have to pass. And, again, the experience of the war has added to the suspicion and the enmity. I

can speak from my own experience of both sides of the gap. Class antagonism is more bitter, and the gap itself is wider in 1920 than it was in 1913. Each side fears the other, more than it has ever done, as an enemy seeking to take advantage of it. To Capitalism, labour is Bolshevik ; to Labour, Capitalism is a White Guard ; the Girondins on both sides are being wiped out by the demagogues on both sides.

The effect of this upon production is direct. Labour considers that it produces for capital not for Society. It organizes to protect itself against Capitalism ; it trusts to legislation to secure the human consideration which Capitalism will never give of its own free will, or from its own sense of justice, or by a use of its power as a trustee rather than as a Shylock who exacts the uttermost farthing. When the national need is clear as during the war, labour produces heartily and throws away its safeguards against Capitalism ; only when it finds that capital is less disinterested in its service, when it meets the profiteer at its threshold and sees mountainous fortunes piled up from its needs, does it slacken in well doing. When the nation called, labour responded with alacrity ; when through the voice of the nation it heard the Jacob paintings of Capitalism hastening to make rich labour paused in its service and thought of looking after itself. Now we are at peace, the old bad relations return, one side stronger by its gains and the other more embittered because it has been cheated. If the community suffers, who can wonder ? But why blame one side ?

LABOUR AND CAPITAL IN ANTAGONISM

At the time when this is being written every thoughtful person is disturbed by the prospects of continued illwill at the worst, and lack of confidence at the best, between these two agents in production. The industrial strongholds which we held before the war have gone and, handicapped in every way, we look out into the future. A series of disagreements in our main industries will prevent us from reclimbing the high pinnacles which we held, and our industrial future will then be almost as insignificant as though we had not been victorious on the field of battle. The smallness and tricky resourcefulness of mind which is trying to guide us is appalling. Patchings here and there, insignificant compromises, unprincipled manipulations, may put on the brake, but do not turn the coach from its downward course. The policy of waiting for the most opportune moment to have a spill—for the industrial *der Tag* which many capitalists are now toasting—is madness. Safety lies in views which recognize the depths and the heights of the problems which the country is called upon to solve, views which penetrate into the facts and which reach the causes of the unrest and the reasons of the antagonism, views, moreover, that are not bounded by the conflicts of the moment and the unpleasant ways in which they may show themselves, but which see them in their historical growth and relate them to the problems of expanding individual and social life. In any event, it is not a negative peace that we need but a hearty cooperation in securing communal well-being.

To see where we are, we must take a backward glance,

which, however, will be very soon cursory and summary. Before the war the discords of the system were only too apparent. Labour had combined to protect itself against the working of Capitalism and had formed Trade Unions, the practices of which, just like those of the Capitalism, could not always be defended from the point of view of Society, but could be explained as a natural part of a conflict with Capitalism itself. After a generation or so of this, Trade Unionists were beginning to widen their outlook and were considering the social obligations of labour and the conditions under which those obligations could be fulfilled. Following this quest, they were coming to the conclusion that the whole system of Capitalism was unfitted for that peace and wholeheartedness in production which everyone saw was essential for communal prosperity. The fixing of wages as a mere price for labour power and skill sold on a market, the frequent recurrence of unemployment, the poor return for unstinted effort, the baffling of labour's legitimate ambition to secure something better than the poverty-stricken conditions of the vast masses of the workers, the utter irrationality of the purely servile state of the workmen and the deadening effect of a toil that was always mechanical without being lightened by the incentive of responsibility, the irritating hopelessness which came when labour saw every substantial industrial gain grabbed at, and too frequently secured, by capital, and every depression of trade used to thrust the wage-earner down again into the ruts of poverty from which he was beginning to rise—these things, combined with the new appreciation of what the position of the workman might be in a well-organised industrial society, were producing a discontent which was

challenging the practicability and the justice of the capitalist system.

To this discontent the education of the young workman contributed largely. For a generation education had concerned itself with little more than teaching how to read, write and count. A few specially favoured, specially lucky or specially clever, children of the working classes had passed through the higher educational institutions and had found places in the professional—especially the teaching—classes. They lost their sense of unity with the people amidst whom they were born, and the process tended to impoverish the mass rather than to enrich and raise it. At the same time, workmen, including not a few of the leaders of organized labour, rising into positions of comparative ease and security, moved in their minds into the lower middle class and yielded to its ideals, its comforts, and its attractions. A process of skimming the cream and taking the heart out was going on. By the loss of its best brains and the lack of complete identification between itself and many of its official leaders, the mass seemed to be becoming a reservoir for the recruitment of middle and professional classes, and was not retaining within itself the qualities and forces which alone could transform it by giving it a greater intelligence and spirit. Obviously, however, this was only a transition period, and the process of education proceeded. Secondary schools were multiplied and became filled by the children of workmen. There intelligence was awakened to such a wide extent that it could not all be drafted off into the service of other classes but remained in an increasing volume to guide and enliven the minds of the mass itself.

The first result of this was an educational movement from within the working masses. Socialists and labour propaganda had aroused interest in social and economic subjects, and indirectly had also created interest in general culture. Whilst the mass was using its ability to read by buying great quantities of the cheapest and most worthless—often degrading—stuff turned out day by day and week by week by the popular press, a movement of a totally different kind was spreading, especially amongst the younger men and women. The young workman was buying good books on science, economics, sociology and politics. Itinerant teachers appeared and considerable numbers of workmen attended their lectures, read the text-books prescribed, and wrote papers on the work done. The teaching was by no means always sound. Much of it was frankly propagandist and dogmatic, but at the very worst, it made the students independent and indocile ; it occupied their minds and exercised their intelligence, and its effect was very soon seen in the general Labour movement. No longer was Trade Union propaganda confined to defensive work against Capitalism as regards wages, hours and such superficial things that, when gained, often meant nothing of substance. The structure of the capitalist system was studied and understood, the relationship between capital and labour was grasped, the historical evolution of industry was known, the forces within it working for its transformation were calculated and explored. Labour was retaining its own intelligence, was, in consequence, making new claims to importance, responsibility and respect, was developing a spirit of democratic aristocracy, was declining to accept

any further a position of mechanical subordination in industry.

From the point of view of Capitalism all that this meant was that labour was becoming more prone to strike, to quarrel with employers, was less tractable and more touchy, and the whole condition was described as "Labour Unrest." Capitalism was shocked and injured to find that labour not only understood the ways of Capitalism, but imitated them—scamped work for profit, used every opportunity for exploitation, drove hard bargains on wages' markets; and the general public, working on the axioms of capitalist habit, could not detect in the "errors" and the "tyrannies" of Labour policy the very methods which Capitalism had always practised with impunity both against the public as consumers and users, and against labour itself. The experiences of years of war have accentuated this. What was originally a movement of the intelligence has been augmented by a movement of the passions and emotions on account of the way that Capitalism unmasked itself during those years of national sacrifice.

Whoever sees in the Unionist threat of rebellion in 1912-13 opposition to the Home Rule Bill only, sees but the centre front of a stage with far larger issues in the background. The political party that stood in pocket, in mind and in instinct, for the existing order of social and economic relationships, had felt the ground slipping from under its feet. Parliament was being captured and the sky was darkened by ominous clouds. The classes were being driven back upon the last resort of men who find their wills no longer in command of power—force, illegality, unconstitutionalism. They were in exactly

the same position as the Bolshevists were in Russia a few years later, and were preparing to adopt exactly the same weapons. As the Bolshevists could not trust the Constituent Assembly and so dissolved it in Cromwellian fashion, so the interests represented by the Unionist party were losing confidence in Parliament elected on Limehouse speeches and beginning to raid henroosts, and declared on an apparently favourable issue that they would maintain their ascendancy by unconstitutional means. The impulse to Unionist illegality came from general political conditions, though it was the Home Rule Bill that, like Moses' rod, enabled it to gush out. The Unionist psychology in 1912 was of precisely the same nature as the Bolshevist psychology in 1918. The war first of all turned these currents back upon themselves, then its influence slackened, finally the currents returned to their normal flow with an augmented force. The history of the Unionist party in these years is the first chapter in how economic and social antagonism divided our country and ended the Parliamentary régime—if the events of to-day are to turn out to be incidents in such an unfortunate history, Mr. Lloyd George's later speeches will in time be recognized as the first bugle sounds in our class war.

ATTEMPTS AT INDUSTRIAL PEACE

For labour, in its morning of awakening, to imitate Capitalism is not commendable from a social point of view, though against such a policy Capitalism itself has no just complaint. During a transition period, how-

ever, we ought not to be surprised if labour were to make this mistake. That would be the first natural course for men who have just become aware of the injustices and the indignities of the past. It is the kick of resentment, not the thought of betterment; it is the first impulse to imitate, to show you can do something too, not the reasoned policy to use acquired power well. The emancipated Hindu who, a century ago, got drunk to show that he had devoted himself to Western culture behaved unwisely but humanly. Both capital and labour have to serve communal ends, and the great task before all who understand the true significance of present-day conflicts is to discover how this synthesis of function can be brought about.

Capitalism itself has occasionally essayed the task but with no conspicuous success. It has tried piece work and task work and bonus payments and what not, the idea being to relate wages to production and increase the efforts of labour. All have failed because the workman in one way or other has speedily discovered that small is the gain which he receives from his extra product, either absolutely in extra wages or relatively to the added profits which the employer has pocketed. No one can say that, when the most successful of these incentives has been tried, the difference between it and the worst has been the difference between satisfactory and unsatisfactory industrial conditions. Moreover, the profits of the capitalist always come in as a blinding screen between the workman, however he may be paid, and the social advantage of high production. The power of the capitalist to reduce wages has always been too great a temptation for him to resist, and a high income as an

incentive to the workman to work hard does not last very long. Irregular employment comes round, and time worker and bonus worker stand moodily together amongst the unemployed.

Schemes of profit-sharing which give, in addition to wages, some percentage of the profits earned, and which are sometimes carried as far as to encourage workers to invest in the shares of companies and even to concede to them a limited representation on boards of directors, have also been tried, but have been so insignificant in relation to the whole process of production, and of such small importance in the industrial works where they have been introduced (the average value of all profit-sharing schemes is 5 per cent. on wages), that at best they have been only a drop in a bucket. As a matter of fact, of the seventy-six profit-sharing schemes of all kinds started between 1867 and 1890, the average life was nine years and nine months. In 1912, 130 schemes employed 106,000 workpeople, and of these 23,750 were gas workers. Their ulterior motives of binding labour to one employment and of separating the labour groups affected from their kindred mass, have been so apparent that labour has never looked favourably upon them. The profit-sharing device of the South Metropolitan Gas Company (started in 1890) was frankly an attempt to keep the employees out of their Trade Union, and until 1902 no member of a Trade Union could participate in it. The legislative provisions by which gas dividends are regulated by the price of gas make profit-sharing schemes easy to work by removing temptations to reduce wages, and so we find them now in operation in thirty-three gas companies. When, as by the labour co-partnership

Association, Labour co-partnership has been regarded as a leaven of a new system of co-operation based not upon Capitalism but upon the self-governing workshop, the inadequacy of the means in relation to the end has been rightly felt by labour, and the experiment has consequently failed to rouse much interest. It may at the best transform this factory or that, but it has nothing to say to the problem of capitalist combination and touches none of the questions of concentration in control or of the transformation of the whole process of production into a social function. It is, moreover, altogether antiquated and out of touch with the newer ideas of labour responsibility in production which are now in the minds of those giving the tune to the march of labour thought.[1]

Moreover, none of these proposals are safe from the point of view of the consuming public, because, if labour could be induced to accept them, the most natural next step would be for combinations of capital to make terms with labour to exploit the public. This is a combination which must be avoided at all costs. We have seen it attempted repeatedly and, though it has had but a partial and a temporary success, its repeated failures must not be taken as a proof that it can never be brought about. The movement towards the combination of capital was baffled again and again, but it at last succeeded. To-day there is an active and pernicious propaganda asking labour to consider nothing but its economic interests, representing all history as being only an economic process,

[1] In 1916 there were 101 such workshops in this country, two fewer than in 1914, with a membership of 35,000, a share and loan capital of £1,770,000, and a bonus paid on wages of only £38,000.

and politics as purely an economic conflict. This, for the moment, may be made the basis of what are called advanced and revolutionary movements, but the general effect on the mind of the working-class masses is to set before them self-regarding goals. Its psychological result is to induce them to think first and foremost of their own immediate advantage, and it obscures the spirit of social service and the end of communal well-being which gives the Labour movement a social, as apart from a class, value. No stream can rise higher than its source, and if the Labour movement has no origin other than economic it can have no other end. The combination that Socialism seeks is not one between the economic interests of labour and capital in the Capitalist system, but one between the moral interests of labour and capital in the community.[1] If labour is active only to play the rôle of Capitalism over again, a new social movement inspired by higher and broader purposes must be started to control it.

The historical example of this combination of capital

[1] This consideration affects the Labour movement in all its aspects, and Mr. Bernstein in his " My Years of Exile," commenting upon some special characteristics of labour in this country as seen by a foreigner, writes these significant sentences : " The defeat of Chartism . . . deprived it (the British Labour movement) of that element of ideology without which any movement is in danger of revolving in a circle and becoming the raw material of other activities. This limitation of intellectual elasticity of the Labour movement in England increased when the International Workers' Association, which seemed for a moment destined to resuscitate the movement, was dissolved in 1872-73. The class ideal fell into utter discredit, and the practical movement degenerated more and more into the most downright utilitarianism and opportunism." (p. 222.)

and labour to exploit the public, is the Bedstead Makers' Combination started in 1891. In this the employers agreed with the Union to pay specially good rates of wages and to employ only Union men. On its part the Union agreed to maintain the strength of the combination by refusing to supply labour to any firms outside the combination and in competition with it. Thus, production was kept down and prices kept up. Other instances are on record of Trade Unions agreeing in return for high wages to maintain the monopoly of a combination by withdrawing labour from firms threatening that monopoly, and they are all indefensible.

The latest proposal for securing co-operation is that known as the Whitley Council. This was a war product started primarily to smooth over workshop friction during the war, but also to be continued as a normal feature in workshop management in times of peace. These councils, composed in equal numbers of employers and workmen with an independent Chairman agreed upon by both sides, were to deal with only a limited class of concerns—the settlement of the general principles governing conditions of employment, including ways of fixing wages, the establishment of regular methods of negotiation, the steadying of employment, technical education and training, legislation affecting the industry concerned, invention and use of machinery and such things. Had these councils been successful, they were bound to increase the scope of their authority because they were the tentative beginning of a new method of workshop control, the boundaries of which were wider than those fixed in the document. They have not been successful. The workman's side demanded what the

other considered to be too much, the other conceded what the employees considered to be too little. Employers were suspicious and unwilling, and council after council has broken up, others have ceased to function, none has been fully worked, though not a few have smoothed over more or less minor difficulties. At the moment there seems no prospect of an important future for these councils.

Supposing, however, they had been successful and had developed on their lines of natural authority, what would they have meant ? Again I content myself with quoting the appendix to the report of the Committee on Trusts[1]. "As the control of industry by joint councils of employers and workpeople on the lines of the Whitley Committee recommendations becomes a reality—*i.e.* is extended to matters of price, output, limitation of competition and the regulation of trade generally—the problem of monopoly will assume yet more formidable proportions. It may be suggested that if, and when, that happens the problem will provide its own solution . . . and there will be a balance of power as among the groups which will prevent any one getting more than its fair share in the national dividend. We appear to be moving towards such a condition, but balance of power among the industrial groups is not likely to prove more satisfactory than has been balance of power among national groups. The duty of adjudicating upon the contending claims of the groups must fall, therefore, upon the State." And no political authority could ever do such work.

Thus the fact that Capitalism as a system of production

[1] "Report," p. 27.

contains inherently within itself a fatal conflict with labour, that it can only end that conflict consistently with itself by making labour a partner in the exploiting results of its combinations, that this is practically impossible, but that if it were possible it would only put the public more completely at the mercy of combination, that if labour has no other policy than to act aggressively against capital, the community will suffer by inadequate production and high price (to say nothing of the dangers to the complete national economy)—these are facts indisputable and dominant to everyone who has studied the condition of modern industry. And no scheme of amelioration or accommodation offers a particle of hope. Labour and capital cannot be reconciled within the capitalist system.

CAPITALISM AND BRAIN LABOUR

Thus far I have considered only the problem of hand labour under Capitalism, but the failure of that system is as apparent if we consider the problem of brain labour and intelligence. At first sight the professional worker occupies a specially privileged and fortunate position which seems to secure him against the unsettlement which agitates the hand-worker. Economic advantage is not the only soothing influence on classes. Many people would starve in a black coat rather than live in tolerable comfort in corduroys, would exist in mean penury in a genteel suburb rather than in hearty enjoyment in an industrial quarter. The distinction of "not being of the working and wage-earning class" is valued

beyond gold. To this the brain-workers have also had the further distinction added by Capitalism of being differently treated. Their earnings are dignified by the title of salary, they have more regularity in their employment, they have holidays for which they are paid, they, to a great extent, work apart in "rooms," in counting-houses and so on, not with a crowd in factories. Besides these things, brain work and management are frequently holders of capital as well as its servants and are interested not only in the salaries it pays but the profit it earns. So that the two classes of labour have become really distinct ; both are aware of the distinction and it enters into the relations they have with each other. For instance, clerk public opinion can usually be relied upon to be anti-labour on any issue. Its allegiance is to respectability and reactionary conservatism, not to toil, however typically a victim of Capitalism it may be economically. Its affinities are social and not economic. Yet, whilst I write this, I am conscious that it is becoming untrue.

Despite the social prejudices which link brain-workers with the present system, that system has used them ill and has employed them inadequately for productive purposes. The bad equipment of our industry on the scientific side has become a byword of reproach. Business ability has been plentiful, but scientific ability neglected. The inventor has been regarded as legitimate prey. He has been filched of his products. Combinations have deliberately set about to keep him from interfering with their trade, and he has found himself absolutely at the mercy of finance. Of this I have given a striking instance in the case of the company manufacturing boot

and shoe machinery. By holding certain essential patents it has been able by agreement forced upon users to make it practically impossible to introduce improved machines unless it holds the patents and makes them. Engineers have brought to me designs of machines which were as good and, according to claim at any rate, better than those sent out by this company; they were willing to make and put them on the market, but they could not do so because boot and shoe manufacturers were unable to use them. This company controls at least 80 per cent. of the production of machines used in the making of boots and shoes, and has been in existence for about twenty years. It is an offshoot of a company working in America on precisely similar lines, which is said to control 98 per cent. of the output of that country. Here again organized capital protects itself against improvements from which it may have to suffer some inconvenience, and by the legislation which it has influenced it has produced patent laws which lay the patentee open to capitalist pressure.

I served upon the Parliamentary Committee which considered the Patents Bill of 1907, and it was a liberal education. The lobbying which went on on behalf of the capitalist interests was unceasing. Every unassailable security for the patentee that was proposed was rejected or weakened; even the company which manufactured the boot and shoe machinery and let it out under the agreements described, got off with a clause which it itself might well have drafted and which has had no appreciable effect upon its position of policy. The brains of the inventor have to be kept rigidly subordinate to capitalist interests.

Old machines are kept in use, hand labour of an inefficient kind is employed instead of machine labour after the proper machines have been invented—as was the case with buttonhole-making, box-making, fur-pulling, sack-making—not because they were economical or efficient, but because labour could be had at sweating rates and a low grade of production was profitable, or because the capitalist had not enough inducement to undergo the trouble of making the change. Labour has also been enlisted in this conservative policy because, having to pay out of its own resources for the injury which a reorganization of industry entails upon it, it has no desire for a change.

It is true that recently Capitalism has become aware of the need of employing scientific skill. This is partly the result of combination, and one of these combinations is known to spend something like £20,000 per annum in experiments—certainly no extravagant sum considering the scientific nature of the work of the firm. The scientific wage-earner, however, is tied hand and foot to his employer. In the nature of things only exceptionally wealthy firms or combinations can employ him, and his field of free movement is narrow. Everyone in it is marked. If he leaves one firm, that firm can decide whether another is to employ him or not. Even if he applies for new employment, his present employer knows of it and can regard it as a fault. In any event, he is generally tied by a restrictive agreement. This is not an imaginary description : it is the story told to me by one of those workers. Hence the development of capitalist combination, whilst it provides openings for the scientific worker, at the same time offers a prospect

of employment so restricted as to be unattractive if not intolerable. When Capitalism has employed brains to the utmost extent, when its scientific staffs are complete and it has distributed its bonuses to every workman who can give it a hint for mechanical improvement, it can never rise above its own nature to turn everything into private gain, and to serve the community only in so far as that contributes to private gain, to harness to its chariot all who contribute service and thoughts, to use them or refuse to use them, in accordance with its interest. This will always be challenged as the intelligence and self-respect of the service-givers are quickened. It is not a relationship which can yield the maximum of brain effort or secure industrial peace.

The remuneration that has been offered to the professional classes has also been meanly inadequate. Clerks, teachers, clergymen in great masses have hardly enjoyed a living wage, and the chemists who have done so much to put German industry on the footing it stood upon before the war were notoriously badly paid. To defend themselves by entering into combination was distasteful to these classes, it was something which they regarded as beneath them. But now the Trade Union methods adopted by the medical profession—especially when they drove hard bargains with the community over the Insurance Act—the National Union of Teachers, Unions amongst Clerks, the Science Workers' Guilds and similar bodies, have broken the ice, and we may expect collective bargaining amongst the professional classes to be as marked in the future as it has been in the past amongst the working classes. One need not be

surprised if at first the organization of the professional classes, for instance, the attempted boycott of railwaymen by some doctors during the railway strike in 1919, is to be antagonistic to labour, because whilst copying the methods of the workmen, the members will retain their feelings of social distinction and antagonism. Professional pride having surrendered to circumstance will seek for a time to maintain itself by policy. At any rate, it will be shy of companionship with manual workers, as when the National Union of Teachers, though it has adopted every weapon of Trade Unionism including the strike, hesitates to join the Trade Union Congress and the local Trades Councils. This barrier of class and professional distinction is, however, decaying, and there is no reason why we may not see in time, not only the National Union of Teachers but the British Medical Association represented at the Trade Union Congress and on local Trades Councils and thus accepting the full implications of their existence. A few years ago the professions owed a wholehearted allegiance to Capitalism, now they do not. Their personal social contacts still bind them to that allegiance, and so do their tasks and preferences. But a conflict of interest has begun. The brain worker is beginning to understand that there is a dignity in work; he is making contracts with the better educated workmen and is acquiring a sympathy for their points of view and a liking for their simple unadorned humanity. He has only begun to protect his livelihood against Capitalism, and his efforts will drive him closer to the Unions of workmen. Above all, the scientific worker, finding his brains exploited by Capitalism, seeing his discoveries used for sectional

profit, and feeling a narrowing and cramping influence upon him in consequence, will discover affinities with labour which he has not hitherto experienced. The rise of a young generation of workmen better educated than the last, reading good literature, interested in science and history, and able to discuss with intelligence and vigour the affairs and concerns of the day, will make the *rapprochement* easy. When labour, science and professionalism find their natural unity, the end of the present system is in sight. The Socialist proposals for the control of production, which I am about to sketch, offer a happy liberty and an energetic joy in labour to the scientific and technological worker as much as to the manual toiler, and enable both sections to work in co-operation for common social ends.

CAPITALISM AND MANAGEMENT

Capitalism also employs another class of labour in connexion with production—the managerial—and this has often one foot amongst those who are capitalists and the other amongst those who serve capital. In the earlier stages of Capitalism, the manager was the owner, and profits went into his pocket when all charges, including his own wages, were met. This is no longer so since the dominance of the limited liability company. The manager is now for the most part a servant enjoying commissions maybe, but under all the disabilities of a salaried official. There is no difference between the work and responsibility of a manager of a municipal tramway system and of a private company, but the

status of the former is perhaps better than that of the latter. Efficiency in the use of capital, whether in an antiquated or up-to-date form, in exacting from labour its utmost, in producing as advantageously as circumstances will allow, is essential if Capitalism is to last, and to create and maintain that efficiency is the duty of the manager. The assumption of Capitalism is that management must be of a rigid kind, and must be allied with capitalist and not labour interests. In order to get the most out of labour it must, of course, appeal somehow to labour's good will, but advances must not go so far as to bring in labour's free will. In its most modern form, called " Scientific management," management reduces labour to the most perfect status of a machine in order to effect economies and increase production. In theory nothing can be said against this, provided that labour receives compensating advantages which can only be given by greater leisure and a fuller life away from the drudgery of the workshop. This, however, Capitalism cannot give to any satisfactory extent. It is interesting to watch the various attempts now being made to improve management and to interest labour in it, like the Welfare schemes which are largely an inheritance of the war. These schemes have not a few virtues, but all have this defect. They approach labour as a subordinate factor to be kept efficient and serviceable—they are too much on the model of the games provided by Emperors in the decadent days of Rome to keep the Romans off politics. " It was artfully contrived by Augustus," says Gibbon, " that, in the enjoyment of plenty, the Romans should lose the memory of freedom." Some of the employers responsible for

these undertakings have the most irreproachable intentions, other regard them solely as a way of lubricating the machine. Labour is thereby to be made efficient and content, is to be removed from the temptations of certain political and social ideas, and is to be taught to lean more heavily than ever upon capitalist patronage. It is safe to prophesy that no virtues can preserve such schemes from failure, because the more men know and the more truly they feel, the more offensive becomes patronage and servility. The success of the schemes will be the destruction of the relationship between capital and labour which they were meant to perpetuate.

Advantages wrung by labour during the war after it saw the spirit in which Capitalism was working, are too expensive for Capitalism—or Society for that matter —to maintain, though they were possible under the extravagant conditions of war. These, however, will not all be lost, and Capitalism will try to compensate itself for them, partly by a tightening up of management— —a tightening up of the managers themselves as its servants, a tightening up of its grip on labour. Thus Capitalism will still further mechanicalize production, separate itself from human freedom, and take the part of a mighty materialist power dominating the life of the Society which it purports to serve. This relationship will never be accepted as long as man is, particularly so long as we educate our youth and help them to understand the economic mechanism of which they are a part. Management must drift towards labour and away from capital; the manager and the workmen are naturally co-operators and joint service givers; the division

between management and labour created by Capitalism has been temporarily inevitable, but must produce a deadlock in industry if carried far into the future.

CAPITALISM AND PRODUCTION

Thus far I have been pointing out how the system of capitalist dominance, whatever may have been its justification as an historical period in the evolution of the industrial community, must fail to provide a satisfactory machinery for production, and must be a menace of ever growing potentiality to the life of the people who come more and more under its authority. But, despite this, it has been claimed for the system that it could produce wealth ; that, under the pressure of interest, the machine, with all its faults, jerked along with energy and, though often stopped and never worked in full good will by the hired servants of Capitalism, still, in the end, gave a satisfactory result. I have given reasons for an opposite view, and I am supported by a mass of germane evidence.

I take first of all the prevalence of strikes and stoppages owing to disputes in industry. To those to whom Trade Unionism is anathema and the workers always wrong when they do not accept their master's decisions, the figures I am to quote will only prove the terrible perversity of labour and the extent of the victimization to which it subjects the "community." To those who know the actual state of the workmen's minds and hearts, the figures will show that the machine of Capitalism cannot run smoothly, that disputes belong to its nature,

and that it produces strikes and lock-outs just as it does profits. I take pre-war figures because since then all industrial statistics are compiled from abnormal conditions and prove nothing except that war produces chaos. For the five years ending 1908, 20,800,000 days were lost in the aggregate owing to strikes; for the five years ending 1913, 75,500,000 days were thus lost. Even the higher of these figures is but a small proportion of the aggregate working time that was wasted, for they do not reveal the full extent of the damage. Dependent trades are put upon short time or are stopped altogether, and the time thus lost is not included in these totals. A system of production which involves strikes is a wasteful system, and Capitalism makes strikes inevitable. Unemployment is another grievous form of waste, for it is not only a temporary cessation of production by willing and capable men, but it slackens demand, lowers standards of consumption, and helps to clog the market. At any given moment when trade is at its best three out of every hundred skilled workers are unemployed; when trade is bad, the three sometimes become ten —at the present moment, owing to the war and the foreign policy pursued since the armistice, it is in some trades ninety.

The figures of total production, presented in two different ways, enable us to see what is meant by the inefficiencies and the antagonisms which I have been discussing. I shall deal first with the estimates made of the average value of production per head, and then with the national total of production. The first is a complicated figure to fix, as three things must be taken into account: the national income, prices, and the number

of the working population. But there is no dispute as to general results. Between 1760 and 1803, when our productive machinery was being rapidly developed, production did not exceed £12 per head; it grew steadily for the next seventy years, when it reached £30; between 1870 and 1895 it went up rapidly to £54; then there was a check, and, up to the outbreak of war in 1914, the increase was not more than £2 5s. Some statisticians indeed believe there was a drop. This period coincides with growing labour discontent with Capitalism and a weakening in consequence of incentive to work. I regard these figures as showing the moral breakdown of Capitalism amongst other things. It is true that the parasitism of wealth had increased and had drawn more and more people from the ranks of productive workers, that our national output was meeting with strenuous foreign competition, that the Boer War had had an adverse effect upon our industry; but over and above those things is the fact that the man at work was a discontented man.

The Census of Production taken in 1907 was, in consequence, a revelation to many complacently-minded people. The net output of all the mines, quarries, factories, workshops in the United Kingdom was estimated to be not more than £762,000,000, No indictment has been made against the system of production in this country so strong as these official figures. A population of 11,000,000 people returned as workers, of whom a very large percentage are highly skilled, a country specially situated for export trade and possessed of many advantages arising from historical, geographical and geological reasons, the centre of an empire—and a

total net product of £762,000,000. And yet, when one thinks over the question in detail, the reasons are on the surface. Let us grasp one important fact. Some apparently productive labour is not productive at all, and though much of the product of this labour is included in the above total and ought to be included in the sum total of national wealth, it does not enter into that wealth in beneficiary use which is the true wealth of a nation.

Let us consider the case of, say, a carpenter working on two jobs, the first for his neighbour, the blacksmith, the other for the landlord who, we shall assume, lives exclusively on rent, or on any of those tolls which the ownership of land deducts from wealth created, without in any way contributing to the production or returning an equivalent.

When the carpenter works for the blacksmith he produces to aid the blacksmith's production,[1] and he contributes not only to the dead total of wealth in the country, but to the fructifying volume of wealth used in the country. He makes wealth that makes wealth. His products make shorter hours, lower prices, better labour conditions, and communal economies and well-being possible. If he discovers a new mode of production that reduces the prices of tables and chairs, he is working in a process that may enable the blacksmith to enjoy a higher standard of comfort and yet reduce the price of horseshoes and coulter sharpenings.

[1] If, however, the blacksmith were employed exclusively by the landlord as in the second case which I am to assume, this would not be so, and it is less so in proportion to the time that the blacksmith spends on the landlord's work.

The effect of working for a landlord living on such an income as I have defined is altogether different. The carpenter may produce the same tables and chairs, and may add precisely the same amount of wealth to the sum total held by all the individuals in the country as when he was working for the blacksmith. But he is contributing nothing to the effective wealth of the country, and he himself becomes a parasite on production. He is helping no one to produce another shilling, he is only helping someone to spend shillings abstracted from the volume of production. All that can be said of his work is that it is bringing back into the volume of economically effective wealth parts that had gone astray in the shape of tolls paid to allow production to be carried on. In so far as this carpenter, for this particular part of his work, devised a process of cheap production, it would not have the least effect on general production or prices; it would only enable the toll owner to command more labour, withdraw more services from Society and increase the number of parasitic workers. The cheapening of production to our parasitic classes only means that the tolls they take in terms of money or coinage require an ever-increasing amount of production to bring them back into the stream of fructifying wealth.

This argument, I know, brings into play much wider and different issues from those strictly involved in the quantitative production of £762,000,000, but it has a direct bearing upon it, and this is, therefore, the place to state it. For the existence of this rent receiving class, not at all inconsiderable in numbers and very considerable in possessions—this is discussed more fully

in the section dealing with Distribution—means the existence of an army of workers contributing exclusively to its needs—servants of all kinds, gamekeepers, attendants—whose work adds nothing to visible production—brushing clothes or shooting rabbits—and whose invisible production to Society is nil. Their number has to be deducted from that of the producing population. We may include poets and singers in the list of those who add to national products, but not the kitchen-maid of the non-service giving person who lives on tolls. Under our present system to make a living is not the same as making wealth.

The figures also disclose the enormous amount of waste labour that Capitalism, with its divided interests, requires—the working with inefficient tools because employers for some reason or other cannot or do not install better ones; the overlapping and disorganization of labour in works that may manage to pay to their owners precarious profits, but whose contribution to the sum of products could be made far more economically under better organization; the labour sunk in useless work necessitated by rivalries in production, a striking example of which is the waste involved in the private ownership of wagons on railways with their empty mileage, their shunting and so on; the lack of co-ordination in the supply of facilities necessary for production like the frequent shortage of tubs in coal pits; the unproductive labour (so far as total national product is concerned not only unproductive but wasteful, though productive so far as the employing competing firms are concerned) consumed in maintaining the purely competitive machinery of industry, like the armies of commercial

travellers going over the same ground with the same kinds of goods, buying agents, clerks, printers employed upon advertisements, and all labour engaged uneconomically in competing establishments not big enough to make full economic use of their staffs. Of the 1,000,000 persons in the Census of 1911, classified as being employed in commerce, I doubt if as many as one-half were productively employed. That is one reason why the low figure of £762,000,000 was published in 1907 as the value of the annual production, much to the surprise of people who had been assuming that the business of our people, the advantages of our industry and the favourable circumstances of our country, were being used to the utmost by a Capitalism that seemed to be always hustling.

Capitalism has signally failed in its task of producing for the needs of the community both in absolute quantities and in economic ways. The simple and undeniable fact is that it does not contain within it an enduring motive to produce which makes labour an active participant in production. Its inevitable tendency to create great dominating combines is also rightly causing it to forfeit public confidence, as is well stated in the Minority Addendum to the Report on Trusts; "Where, as is evidently the case in various highly-organized capitalist enterprises, competition is being rapidly displaced by combination, largely monopolistic in its structure and powers, and tending to restrict output with a view to raising prices and preventing their fall, we hold that it is contrary to the public interest to allow such enterprises to remain in private hands";[1] or, in words of strong

[1] "Report," p. 14

significance though less committal in proposal, subscribed to by the whole Committee: "We are satisfied that considerable mistrust with regard to their activities exist in the public mind, and that the effect of such mistrust may be equally hurtful to the political and social stability of the State, whether or not the public mistrust or resentment be in fact well-founded." Capitalism can never be worthy of, nor secure, the confidence of the public if the public would but think. When combined it can crush out all serious rivals or swallow them up, and, with or without tariffs, can defy foreign competition or come to an agreement with foreign competitors. Whether it uses its powers unreasonably or not—it certainly did so during the war—depends upon itself, and no law and no Government supervision can control it. And yet, in the interests of the community, it is not desirable that concentration should be hindered or stopped.[1] We seem to be on the horns of a dilemma. But are we?

I now turn to the constructive proposals of Socialism.

[1] The importance of this induces me to give a further warning on how combinations exercise power. In an Appendix to the "Report on Trusts" (p. 27) I find: "Allegations are made of particular combinations maintaining large secret service funds for the purpose of obtaining subsidies, strengthening their monopoly and acquiring a hold over the Press by means of bribery and corruption, and of combinations in general exercising great influence where their interests are at stake . . . resulting in the maintenance of prices to the consumer and the direct and indirect influencing of concessions by political and semi-political means, while inability to get information regarding combinations is explained on the ground that there is a great reluctance on the part of individual traders to appear formally in opposition to powerful interests." This is certainly true of America, and

THE SOCIALIST INTELLECTUAL METHOD

It may be well to state categorically first of all that Socialism does not quarrel with history. It does not waste its time and cast doubts upon its intelligence by standing in 1921 and shouting over the broad gulf of past years to 1800 telling of their mistakes and advising them how they ought to have behaved. The Socialist takes historical facts as he finds them, but regards them not as final states but as conditions that are unstable because they contain impulses that are constantly modifying them by giving them a more complete fulfilment. They are the momentary conditions or processes, and their chief interest to the Socialist lies in the nature of their controlling tendencies, the direction in which they are driving, and the changes which they are making.

Capitalism on its descriptive side presents a fascinating picture, but it is the economic laws which Capitalism reveals that concern the Socialist most of all. He has seen production for private gain emerge through a state of competition ; he is acquainted with the economic and social theories devised to explain and justify that state ; he has traced that state growing out of itself by reason of its own inherent tendencies ; he takes the old theories, lays them athwart the actual conditions of to-day, and knows that they belong to an old order of things ; he studies the tendencies now in operation and, with the interest of the whole community as his

I know of one British combination which gave a member of Parliament a salary and equipped him with an office to look after its interests in Parliament. Tariffs would greatly strengthen this tendency, indeed would make such practices inevitable.

guide, he makes his constructive proposals founded not on any abstract Utopias which belong to the free imagination, but on the evolution of functions and institutions in his own time. In that spirit I write, for in that spirit he builds up.

THE WAR

The greatest problem of to-day is production, its organization and its distribution. The war has changed much—maybe for all time, but it will be years before we can estimate the amount and the permanency of the change. The special advantages which this country's trade enjoyed in the world have gone or are in jeopardy. London as the mart of the trading universe seems to belong to the past. Our carrying predominance has gone. Staggering debts will have to be paid. Germany, whatever its own position may be, is to have much satisfaction in economic revenge. The extravagances, mainly in the form of keeping large classes of non-producers in luxury in our midst, in which we could indulge when the whole world paid us tribute, we shall now indulge at our peril. Above all the war has left behind it a new mentality, the product of the sense of equality in sacrifice and effort called for by the struggle. The decorated wealthy were brought low and the useful humble were exalted. No nation that has gone through a critical struggle for existence can return to where it was when the struggle began. Truly we must settle down to useful and economical labour, scrutinize our industrial machinery lest haply we can improve it, and

our waste lest we can eliminate it, and be not afraid to be led by necessity. Production, markets, international peace, economy—these are the pressing needs of this country to-day. In trying to meet these needs, we must be aware of the great growth of a special kind of property. In its evolution, as I have pointed out, property has grown from being possession in what one has made or uses beneficially to be the holding of a power to exploit other people's labour. Much property is now held as a means of imposing a toll or levying a tax upon products, and the war debt and its burdens has added enormously to this class of property. This is to have no little effect upon the respect which this generation is to pay to property.

PROPERTY AS AN INCENTIVE TO WORK

The economics which correspond to the period of production for private gain took it as axiomatic that the motive for working was the acquisition of property. That was the capitalist view, and it suited its own policy and practice. It remained blind to the fact that, as I shall show in the section on Distribution, this was purely Utopian dreaming as regards 99 per cent. of the population. Capitalism provided no " motive " to work which made work voluntary, and which covered up, with the pleasurable expectation of its reward, any unpleasantness that labour might have. Capitalism offered a certain number of prizes and men worked for them. But in the competition the aspirants outnumbered the prize-winners many times over. To begin with, a prize or two

may make scores strive, but the incentive soon weakens. That was all that Capitalism offered. The worker worked for the necessities of life, and what he could accumulate was more of the nature of averaging expenditure than of absolute saving. To "save for a rainy day" is not "saving" as the economics of property would define it, because when the rainy day has gone, so are the savings. To-day, if well-intentioned but innocent persons were to go out to the workers and offer property as a reward for increased production, they would be rightly laughed at. They might offer them better wages, but no one would believe them, and the effect would be nothing.

Immediately after the war an appeal for further production was made, by speech and print, and this bait of higher wages was thrown out. "If you want more make more" was the chorus. Nothing happened. The appeal did not add to the effort of labour enough to make good the ink and paper used in issuing it. The only extra production was by paper makers and printers. How absurd it now sounds, how cynically comical.

Moreover, were the justification for increased production increased individual property, an equal distribution of the total product can never amount per head to any very considerable quantity, especially in a country which is not drawing heavy tributes from other countries, or which is not peculiarly richly endowed with natural consumable wealth—that is, a country the products of which depend mainly upon the labour efforts of its people—a country like our own. We must dismiss the motives for production upon which Capitalist economies are founded. They never really operated;

for the remainder of this generation they will operate less than ever. They may have had validity in the earlier stages of Capitalism, when capitalists were being made, but that is a century ago or thereabouts. There is no romance and very little envy attached to Carnegies now. Capitalism offers labour wages to enable it to live in return for task work ; it offers it neither property nor security.

COMMUNAL PROPERTY

Here the Socialist can lay down one of the foundation stones of his reconstructed society. The personal enjoyment of property possible to the mass of the people is from collective and not from individual ownership. The significance of this is seen if one considers, say, public parks. Within the administrative county of London there are 4,100 acres devoted to parks. These are laid out in woods, arbours, gardens, recreation grounds, walks, and so on, and this use is only possible by the massing together of what, on a division into private property, would be millions of mud puddles not big enough to swing a cat by the tail without trespassing. Divided into the number of people who as Londoners really own them, the park area of London only gives a little over four square yards to each. The same is true of museums, picture galleries and such things, where the value of the possessions divided into private property would not, on distribution, allow a new German oleograph to be added to the horrors on our kitchen walls. A very little per head, massed together for common

use, puts the discriminating user in a position superior to that of the millionaire. Communal property, however, whilst enlivening the communal interests of the individual and enabling him to understand what community means and how its well-being is his own well-being, is not by itself a sufficient motive for industry. It belongs to a better class of motive than the purely personal one, and we may hope that in time that class will be predominant, but that is not yet.

SOCIALIST INCENTIVES

What, then, are the motives which Socialists trust? Men work to supply needs, their own first of all, but in all societies the communal spirit has some hold and an appeal can always be supplemented by it. The Socialist therefore faces the real conditions, and his first stand is upon this simple truth: "You have to work to live." Service is the only claim he recognizes as a title to possession. In a community, service is so varied and so natural that no one able in body and sound in mind ought to try to shirk it, and certainly ought not to be encouraged to do so. Under the pressure of critical need, the Russian Soviet Government made these considerations a justification for forced labour. There is neither law nor principle in a revolution; it is all stop-gap work. But the Socialist way is not forced labour in the sense of legal force. The economic constitution of the Socialist State would be such that parasitism would not, and could not, produce incomes, whilst the moral coercion of public opinion would be effective even

before the economic changes closed every opportunity for parasitical living.

It must be recognized, however, that if the motive to produce remains on the purely economic or self-regarding level where it now is, and where Socialism still places it in its most universal form, it will be a poor and easily wearied one. It will still impose task work and the community will be little better off than it is now. Life and interests must be given to it. Men ought not only to work, but be interested in work; they ought to use not only their muscles but their hearts in production; and this further motive of interest can never be given by Capitalism with its hierarchy of managers and shareholders, and its masses of subordinate and servile workpeople. So natural is it for man to take an interest in the work of his hands, that, despite the haphazard way in which youths are now sent to employment, and the dulling moral and intellectual effect of mere time toil, the workshop and factory as we know them are not totally devoid of this lively interest. The Socialist would enormously increase it, however, by giving the workmen responsibility for workshop control. This is undoubtedly the next step in the evolution of the mechanism of production. Given a fairly good standard of technical instruction, and an education which has enlivened the placid intelligence of labour, and labour can no longer be a hewer of wood and a drawer of water even on good wages—no longer a soldier under a centurion, even if the length of his servitude per day is shortened to eight, seven or six hours. When the workman takes an interest in his work, nothing can prevent him from controlling the conditions of his work.

Capital is the dead participant in production; labour is the living participant, and the practical logic of that has to be worked out in industrial conditions.

One of the effects of the war has been to press this problem upon the attention of Socialists. Before the war it was sufficient to create the Socialist mind by explaining the Socialist standpoint and outlook; the war has so revolutionized people's minds and still more their methods (force, violence and short cuts, for the moment at any rate, entering far more than formerly into our thoughts), that the Socialist has now to prepare far more details to meet the expectation of rapid change than was necessary before 1914. Moreover, Socialism or no Socialism, labour is demanding authority in management and will not be placid until it gets it.

WORKSHOP CONTROL

The problems of the workshop are in the main as follows: the supply of labour, the conditions—*i.e.* hours etc.—under which it is to work, its discipline and organization, its wages, the total output over an economic period which must vary with the nature of the specific production, its equipment in machinery, etc. (or, what may be regarded as its capital efficiency), its relation to other workshops upon which it depends for supplies, or with which it co-operates to produce the total product required. What ought to be the interests and responsibilities of labour in that? How can these responsibilities be recognized and be made effective? Obviously the steps taken must vary with the various industries. The

capitalist organization of some is highly developed, of others is still in somewhat primitive forms; some are ready for a highly organized labour and communal control, others are not. The practical problems of mining control are different from those of railway control; one class of engineering production offers industrial problems quite different from other classes. In some, the labour employed is ready for great responsibility, in others, it is not so ready; in some, the change can be made with comparative ease, in others, it is not to be so easy. That means that each industry has its own method and opportunity for development, but all are obedient to the same tendencies and imperatives which will fix certain common features. The Socialist, therefore, contents himself by laying down the more important general rules which each industry in its own way will have to follow and apply to its own circumstances.

Socialism is opposed in principle to all attempts at accommodation which mean that by concessions here and there, really of the nature of bribes given by Capitalism to labour (either to workmen individually or to labour in the mass), strengthen the present system of production, by patching up some of its obvious defects and enable it to toddle along. These solve no problems, but only postpone their treatment until times of critical breakdown, or until the increase of general intelligence raises revolutionary conditions. This only banks up the revolutionary and cataclysmic forces of industry, and is no way to deal with the problem. The recognition of labour responsibility must not proceed, therefore, by giving labour minority or even equal representation on

this Committee or Board, or on that; it should proceed by handing over to labour full control in this function and in that, beginning with those that are obviously the easiest to exercise on account of the simplicity and completeness of their handling. For instance, it is a much greater gain in the long run for railway workers to have control of station staffs than to be represented by one or two of themselves upon Boards of Directors or Traffic Committees, though, if railway workers are alive to the other and more essential things they ought not to refuse such representation, as it is a power which is capable of effective and extended use. Labour control beginning at the top, *e.g.* Boards of Directors, still leaves the mass of labour without the interest that comes from responsibility. It must, therefore, begin at the bottom.

As a beginning in responsibility, workshop employees should organize themselves either into workshop bodies, or, if the workshop is so complicated that it is a federation of processes, into bodies of each group of workers, and from these should be elected a workshop committee. This organization should at once make itself responsible for the taking on and the dismissal of labour and for the discipline of workmen employed, and should have power to appoint officials of foremen rank. It should co-operate with the management, regarding itself as an ally with managers and not hostile to them, in seeing that the necessary volume of production is maintained and that the workshop is run in an efficient way, and its relations to that management, even when the latter retains the right of final decision, should not be that of a workmen's deputation received by employers, but of a recognized

part of the management organization. This representative body would also deal with wages—*e.g.* the basis on which they should be paid and their varying amounts—indeed, in time it might act as a sort of contracting body delivering the required product and receiving for distribution, on scales and ratios which it itself settles, an agreed return.[1] This will be a critical change with great possibilities of its own. The workshop organization will keep in touch with the trade union, and so will not become separate from the general movement of labour in the whole industry or set up special workshop interests apart from general wage-earning interests ; it will inevitably be widened into district organizations, where broader trade concerns than the individual workshop can show will be discussed—like the waste or the economy of the group of workshops in the district, their organization and equipment, their relative output, their profits, and so on. Another stage will very soon be reached, if the scheme is supported with intelligence. The organization will be in a position to take over responsibility for the use of capital in production. It will know as well as a Board of Directors what capital is wanted in relation to the amount of production required ; it will meet the managers not only in deputation putting grievances before them, threatening strikes and making demands against capital,

[1] If it be objected to this that hand and muscle labour will demand a disproportionate share to itself as against the labour of management, the reply is twofold. First, there will not be much managerial wages in this pool, and secondly, the opposition to higher pay for management has almost disappeared from the mind of labour, as witness recent salaries voted to Trade Union secretaries and officials.

but to discuss with them suggestions in management and ways and means for carrying out their ideas, and to co-operate with them in their work. Management decisions will be labour decisions as well, and be binding as such. Thus the relation in a factory of capital, management and labour will be regrouped. Capital will sink into its natural position of an instrument in use, management and labour will join together as the living, thinking and acting agents in production. Decisive control will pass from the profit-making interests to the producing interests, and social organization and aims will be in command of production. As a preliminary the management should show a responsive move away from being the tool of Capitalism to being the co-operator with labour, and this is being done. Groups of technical, administrative and supervisory workers have already been formed in many industries with these aims in view.

I write in no Utopian spirit. This change is not to be made in a day, nor is it to be made by organization only. I state it as an aim that must be consciously pursued and prepared for. The new powers may be at first abused, but they will make the higher appeal intelligent and not unintelligent as it now is. The organization I sketch is necessary for the release of the social spirit upon which the successful working of Socialism will depend. Moreover, one experimental stage must be proved to be satisfactory before the next is possible.

I had the good fortune once to meet a body of managers in a State that had nationalized the industry with which they were connected, and had given the labour in it a status of a kind comparable to that which I have in mind. The managers had served under both the capitalist

system and nationalization, at the same place and wi
the same workmen. I was curious to know what the
experience was, and this is, in substance, what th
managers, with whom I had a conference, told me. Und
the old system their relations with their men were thos
of a superior power to an inferior servitude. They wer
quite friendly, personally, but both sides felt that the
were master and servant and, to that extent, hostil
The responsibility of management was concentrated i
themselves; the workmen took no interest in it excep
when it came up against them, and were encouraged t
take no interest in it. When the managers met the me
it was upon some grievance; they listened from th
opposite side of a table and the minds as well as th
persons of both were separated by that table. At th
time they never believed that that state could be altered
The dignities, the authority, the dependence of th
management upon capital were, they thought, essentia
to production. They emphasized that they were alway
most friendly with the men, and that what friction ther
was between them arose purely from industrial conflicts
Then the change came and the relations were revolu-
tionized. They met the men round a table and not acros
it, they had to discuss with the men the whole problem
of management, the men made suggestions to them
which, when settled, all took a part in carrying out, mer
and managers became co-operators interested in every-
thing that concerned the work, and the tail that remained
indifferent had to conform to the standards set by the
interested ones. They would never dream of going
back to the old bad relationship. The managers them-
selves were happier in their work and found far more

heartiness in it. The men had abandoned of their own free will the most provocative restrictions which they had enforced—or tried to enforce—as a protection against Capitalism, and which undoubtedly hampered production. They had, indeed, discovered the true motive in industry. A man will work with his muscles in order to live and will drudge to maintain a roof over his head and some food in his cupboard, but he will work with his heart as well when he has an interest in his work and when it appeals to what is free in him as well as to what chains him to necessity. The Socialist view of the enfranchised and responsible workman is the only view which supplies a true answer to the dominant question of the time: How can we supply a motive for work which will enlist the whole man and not only part of the man?

I must note in passing the recent experiment[1] in Building Guilds, where workmen who have been specially attacked for slacking and dishonest work have organized themselves into self-governing groups, taken contracts for building houses, done better work than the private builder, in shorter time, at lower costs, and yet have paid higher wages and have given better conditions of employment. The secret is in enlisting the heart. But I shall deal with other and more difficult forms of labour control. Two organizations of workmen whose leaders are inspired

[1] Unfortunately, owing largely to the want of capital, these experiments have not fulfilled hopes. They remain, however, sound in idea. The Housing Scheme of the Labour Government reflects a belief in that idea in the arrangement it has come to with the whole building industry. It is a pity that one of the obstacles to its success is the narrow ideas which a capitalist mentality seems to be giving to some trade unions (1924).

by these ideas have produced schemes applying them to their own industry, and a reference to them will enable us to visualize the proposal with some definiteness.

The first is the proposal made by the Miners' Federation of Great Britain for the working of nationalized mines ; the second is that proposed by the Railwaymen's Union for the working of nationalized railways.

The Miners' Federation proposes that a National Mining Council consisting of a President and ten members appointed by the government,[1] and ten appointed by the Federation, shall be set up, and that the property and plant of mining and the supreme control of the industry shall be vested in this body. The contact between this council and the government is to be the Minister of Mines. The council will divide the national coalfield into districts and constitute District Mining Councils, consisting of ten members appointed half and half like the national council, to be responsible for the working and development of the district. Within the district will be set up for pits, or groups of pits, Pit Committees, also of ten, five representing the men and five the district councils. The non-manual representatives on each of these bodies will represent technical and managerial skill and experience. Upon this point the Federation is very definite, and its Secretary writes : " The whole success of any scheme of workers' control is dependent upon the accord and understanding between the technical and the manual workers."[2] Here we have a framework where

[1] Commenting upon this in his book on the " Nationalization of the Mines," Mr. Frank Hodges assumes that this means by Parliament.

[2] " Nationalization of the Mines," p. 124.

the bureaucrat has no place, where intimate knowledge and experience rule from top to bottom, a scheme which allows a living interest to run throughout, and which encourages intelligence and industry by providing honourable recognition for them. Its subordinate authorities will have enough power to prevent their being mere tools in the hands of the superior authorities, and yet to the latter will be reserved an ample power to control the efficient development of the industry as a whole.

The National Union of Railwaymen's proposal for the railways runs on similar lines. A Ministry of Transport is to be created, and under it a National Board of Control for Railways is to be established. Half of this board is to be elected by the House of Commons and half by a ballot of the organized workers. "All applications for changes in general conditions of service," says a memorandum on the proposal issued by the National Union of Railwaymen, "shall be made by the Executive of the Employees' Trade Union to the Board of Control." The idea here is that on the one side there is to be the Board of Control and on the other the Union Executives, and between the two, outstanding difficulties as regards labour conditions are to be discussed and settled.[1] Matters that affect localities are to be dealt with by Local Committees, half the membership of which is to be chosen by the Board of Control, and half by the employees of the area. For the purposes of election, the employees are to be grouped into locomotive, traffic, goods and permanent way sections. There are to be two secretaries representing each side. Either of these may call a meeting of the Local Committee, and if difficulties

[1] Considerations promising practical issue took place in 1928.

cannot be settled by it, they must be referred to the Board of Control. Shop Committees are also provided for to deal with matters concerning the shops. The final clause is : "The functions of both the National Board of Control and the Local Committees shall include the determination of questions affecting management and discipline upon railways in addition to general conditions of labour."

This scheme lacks in the breadth of vision of the miners' one, and is perhaps too much infused with the spirit of Trade Unionism fighting employers. But the general intention is evident, and if the last clause had been taken as the foundation of the document and various details worked out from it, that intention would have been still more clear.

The feature of these schemes is that bureaucracy is eliminated, and that the administration of industry, whilst not brought outside the ultimate responsibility of the civic State, is to be a task conducted by a specialized organization built up not from officials appointed from outside, but from officials and functionaries drawn from the working organization itself and belonging to it. There is organization, a better organization than that of Capitalism, there is centralized knowledge radiating downwards, but the whole scheme is the very antithesis of bureaucracy because it depends for its success upon the co-operation of every person and group of persons employed, and is conscious and responsible right from bottom to top. Orders are executed and a mechanism is worked, but the orders come from the system itself and the mechanism belongs to the whole thing as a going co-operative concern.

As intelligence increases amongst the labouring section of the community the question will become more pressing as to how to give the workman an interest in his work. Only when intelligence is low can task work be done, and can men be mere burden bearers. When intelligence is high, men's hearts and minds will insist upon a partnership with their muscle. If democratic education means anything at all, it is the preparation of men who will not be efficient parts of a productive mechanism only, but will belong to the higher type of managing workmen. No scheme can secure this better than one of the type I have been discussing. The whole man, and not merely the physical part of man, will thus be enlisted in production.

THE COMPLETE ORGANIZATION OF INDUSTRY

I now proceed to consequences, for this is only the beginning of the Socialist reconstruction of the mechanism of production. The mistake of the Co-operators of the individualistic co-partnership school was that they assumed that reconstruction could come from the independent workshop. The Socialist falls into no such error. Production must be organized; the producing centres must be related to each other; failing an organized industrial nervous system which keeps the whole body in balance, in motion, in unity, in contact with the world in relation to which it has to fulfil its functions, competition is a safeguard to the public. But when evolution has gone so far as to permit of this nerve organization, competition has ceased to be effective, and

its sphere has not only been narrowed, but it itself has become degraded like a deposed king picking up a living. The Socialist builds up his system as a highly organized one, forbidden to tyrannize over the community, not by outside force like law or labour combination, but by the nature of the organization. Social aims become the definite purpose of the system. And it should be remembered that in dealing with human conduct, good organization strengthens spirit, and the strengthened spirit makes better organization possible. Thus Socialism tends to create the conditions of its success.

I have pointed out how capitalist combination has evolved. Everyone who was then aware of world happenings will remember the strange interest taken, about thirty years ago, in that unique monster the Standard Oil Company. It was the Great Eastern Steamship of its time. They will remember how attempt after attempt was made in other industries to create similar monsters, and how from an unbroken preliminary record of failures, an odd success was registered here and an odd success there—mostly abroad. On *a priori* grounds, they will remember how confidently it was prophesied that this country contained no soil for the nourishment of such iniquitous monstrosities. They will remember how various forms of the beast appeared in Germany, especially that species known as Kartel. They will remember that one day they became aware that it was actually with us. Perhaps they had some experience of its blasting breath—it was, as a rule, blasting then—upon an investment or a business of their own ; perhaps they became acquainted with Mr. Macrosty's book on " The Trust Movement in British Industry," published in 1907, in which it was

proved that combinations of various types had already appeared in British industry and were to last " to control competition." Those who regarded the movement with disapproval, seeing in it a menace to the freedom of Society, may have taken part in agitations to devise ways of strangling the brute, and may have watched brave American legislation from the Sherman Law of 1890 onwards, all so futile, most so mischievously ignorant of economic and industrial forces and resources. The change had come, not by the design of man, but by the inevitable development of industry. All other countries that have attempted anti-Trust legislation have had to record failure or but futile success. The law and order and the tendencies of Capitalism defied British traditional economics and the American Legislature. The Socialist looks upon the evolution as an objective manifestation of development which is inevitable, and which, in the end, will contribute to higher states of communal comfort and liberty. For him, the problem it presents is not how to strangle or limit it, but how to control it, and he thinks of control not in any hampering sense, but in that of making it contribute its fullest service to communal advantage. It is, to him, Capitalism developing out of itself—becoming an organized system of functions and not of profits.

The Socialist idea of industrial reconstruction is, therefore, one of a more complete combination of productive forces. Whilst he warns against combination controlled by capitalist interests, or by capitalist machinery, he accepts and values the gains of combination itself, and proposes to harness them to communal well-being.

One point remains to be dealt with. Hardly anyone disputes now that the employment of a thousand and one agencies for buying and selling is pure waste. An official committee has recently recommended a union of iron and steel interests for the purpose of securing ore supplies from abroad, and suggests that the union might find it advisable to acquire by purchase or concession the ownership of the deposits. This is necessary to secure not only ample and steady supplies, but prices that do not fluctuate violently. The necessity for combination in manufacturing production is accepted. But the fear is frequently expressed that it will result in an unlovely uniformity, that the life and individuality will go out of goods so made, and that the complete organization proposed by Socialism will make this uniformity wholly intolerable and deadening. A thousand firms working to supply the same market no doubt produce a variety of designs and models, and a thousand shops open for profit allure customers by exhibiting them. In passing, I remark that the bulk of them are unnecessary for anything but whimsical use, and are nearly all bad—bad art, bad workmanship. Still, the substance of the objection must be met. If art is to be restored to life, it can be only under conditions of joy and freedom. Combination must produce reasonable variety. The Socialist scheme would certainly not translate standardization into dull uniformity. It would have its artists for design, its engineers for mechanical contrivances, its different managements and workshops for testing the costs and the effectiveness of products. It would both cater for the consumers and be economical in management. Subdivision in work and processes would be determined by the

whole united industry, and where private firms now have enough trade to create special departments, none sufficiently equipped perhaps, and none sufficiently large to be economical producing units, the Socialist scheme would provide the best equipment, the greatest variety and the most economical working that the trade as a whole would allow or require. For instance, it has been pointed out again and again what substantial advantage would accrue to engineering if tools and dies were made, not by each workshop, but at great specialized toolshops supplying many workshops. Steps in this direction have indeed been taken by some combinations, who have found that the building of new works and the scrapping and transformation of old ones in order to allow such specialization and co-ordination have been economical investments of capital. One of the greatest leakages in the economic use of both labour and capital to-day is the manufacture of subsidiary things by factories that should be exclusively run for other products. The complete organization of production as a national function alone will put an end to this. By far and away the greater bulk of our production can be standardized. But there remains taste in use. That cannot be standardized. For those consumers who wish for specially individualized production, village and other workshops which will arise from the freedom of the people, their capacity to enjoy beautiful work and the co-operative spirit, will cater. These workshops are bound to arise obedient to the spirit of Socialism, and they will be part of the local social organization. For generations ahead of us, the comfort of the people will depend on mass production, however, and their sense of beauty and joy of spirit will grow upon communal

property and conditions. Upon the mass and duplicated production a finer sense of taste will be employed, and our stores will be better stocked than ever with things made from the heart by the hands. For, interest in work means an improved quality of work, and service to the whole instead of individual property as the incentive, means that ideas and beauty will be embodied in products.

Standardization has its dangers in stereotyping and in preventing improvement, and these would be great if it were in the custody of combined capitalist groups manufacturing for private gain. The Socialist scheme provides the proper and only possible safeguard against that. One of the most important gains of combination is that it alone permits a union on a grand scale of science and art with production. Scientific experiment is not only expensive, but it is a kind of expenditure from which returns are long delayed. It can, therefore, be employed only on large scale production, and only where there is such production has it as a matter of fact been employed. Economic combination was a preliminary to the employment of staffs of chemists in German dye works, and in our own country industries remained without this equipment until they passed under similar control. Scientific knowledge and artistic appreciation are the only powers that can keep industrial processes from becoming stereotyped. Science organized from the universities, or from great technical institutions and attached to the industries where scientific knowledge is important—science, treated not as the handmaiden of capital, but as the brains of industry, can again revolutionize production, both in process and in output, as it revolutionized it by the application of steam. When the complete co-ordination

which Socialism aims at takes place, science will have room to work, it will have opportunities to work. What is now waste will be wealth. In the treatment of coal alone, there will be imperial revenues in smoke, and gold mines in rubbish heaps. The competition between workplace and workplace will not go on the lines of cheapness because everything will be as cheap as possible (concentration and organization having eliminated all but natural differences in costs of production), but in quality, in suitability, in economy. And whereas, under capitalist combinations the consumer is at the mercy of the producer, under Socialist combinations the consumer will control the producer. The consumer will have to be studied, because he will be enfranchised to make effective demands upon a production managed for his enjoyment. So soon as results on the market have revealed the will of the user, the whole machinery of production will be made to respond to it. Experience, scientific knowledge, artistic achievement, statistics, economizing devices can be exchanged throughout, for they will then be the property of the whole function, and not of private interests working in it for their own profit. The will of the consumer will come into direct contact with the object of the producer.

Thus on its purely mechanical side Socialism completes the tentative and limited transformation of Capitalism. The economic combinations of Capitalism establish the accuracy of Socialist theoretical forecasts. When the world was pooh-poohing the architecture which the Socialist was putting before it, Capitalism was silently building a structure of the scouted type.

I can now complete the organization which I left at

the workshop. According to the idea now developed, the workshop is but a unit in a great organization and has to fit into that organization. It will be controlled by the co-operation of brain work and hand work, of organizers and labourers, and their unity will be complete. It will be grouped in districts of varying size with kindred workplaces, and its management will be co-ordinated accordingly. It will not, therefore, suffer from too much centralization so that no mind or committee can control it, because the people in actual touch with the processes will have freedom and authority to be real managers and not merely agents. It will have all the information necessary to make it effective and precise in its work, and all about its working will be known to its district group. It, therefore, cannot fall behind and cannot stagnate. It must do its required work or cease and its workpeople be absorbed elsewhere. The interests of all are involved in the product of each. Each must come up to a standard in quantity, quality and price. Moreover, the workshop must respond to the trade, and the directors of the trade will not be only workmen and managers, or capitalists, with interests as at present, but representatives of the producers, of the scientists and technicians, and the consumers. The total production required can be estimated and safe margins always provided for; the capacity of factories will be known; scientific and technical experts will represent the ideas of development and change, and will decide the questions of expansion, re-organization, re-distribution of effort. The trade will provide its own capital, make its own insurances for accidents and unemployment, and thus save, what is now lost to production, the large staffs and financial operations now involved in

numerous insurance enterprises. It will be equipped on the one hand with a buying organization, either used by itself or in common with others as circumstances determine, and on the other with a selling and marketing organization which will be international as well as domestic in its activities.

Thus will production reach its maximum efficiency, be freed from the control of special interests and become a true communal concern; thus the true motive to work will be provided, and labour be freed from a servitude that not only kept it inefficient, unhappy and antagonistic but, thereby, damaged the commonwealth.

Chapter V

DISTRIBUTION

WHEN THINKING of distribution we have two things in mind. There is the division of wealth in Society, and then the system by which products find their way to the user.

THE FUNDAMENTAL LAW

The distribution of wealth in capitalist Society is regulated by the economic power possessed by the various classes that own the factors entering into production. The share of the relatively strong is large, of the relatively weak is small. Distribution depends upon the power to take, not the power to make. That is the main rule, but the individual cannot be left out of account, as he can sometimes bring to bear his own influences in determining his personal share, and a very important factor is also State policy as regards property. The main rule explains rent from land, profit and dividends from capital, and wages and salaries from labour power and ability. The last is in some of its features so economically akin to the toll which land can impose upon production, by reason of land being a natural monopoly, that it is sometimes called " the rent of ability."

RENT

All income from land is not rent, because part of it is derived from improvements made by capital, and is therefore interest. Nor is the "rent" of houses rent in the economic sense. It is, at any rate, partly the reward of capital in use. Rent is payment made for being allowed to use a monopoly, and its typical and purest form is the toll exacted by the owners of land by which they are induced to allow their lands to be used for housing, mining, and so on.[1] The amount of the rent of land depends upon the value of the land bargained about in relation to land in competition with it which is so situated, or is of such a kind, that it barely pays to be used at all. In agriculture, if it just pays without a rent burden to cultivate land yielding x amount of product per acre, according to pure economic theory, lands yielding $x + y$ and $x + z$ would be rented at y and z per acre, respectively, if they were in competition, and the total costs of production and marketing were approximately equal. When land is built upon, the pressure of population determines the ground rents to be paid on residential property, and the business values of different parts of the town for shops, warehouses, banks and so on, fix the ground rents for business premises. I have said that all income from land is not rent, but, on the other hand, when a monopoly or a scarcity is created, as in the overcrowded warren of offices in the city of London, capital can exact a true rent as well as interest.

[1] Thus mining royalties may not be rents if they represent the wastage of property in minerals, but, on the other hand, way-leaves are pure rent.

Ability whilst scarce is also able to exact a rent as well as a salary. Therefore, as rent is an equalizing economic weight and does not represent service, in an economically controlled State no rent would be paid to private individuals, but would be part of the communal income.

The history of land monopoly is devoid of both honour and honesty. It is, in the main, a record of theft by conquest, by simply taking what did not belong to one, or of appropriating it by legal forms. Originally, land owning was held under what was then the most immediate and arduous of all obligations, that of bearing arms at the command of the sovereign. The land was the nurture ground of soldiers, and the landholder was their captain under command of the national chief. The obligation died away as hired standing armies came into vogue and military needs became complicated and other financial, recruiting and training means were adopted for meeting them. The idea of personal property in land crept in by custom. The Crown's demesne and the land taxes fell to small bulk, and the latter were compounded and finally fixed by a landlord Parliament at four shillings in the pound of a dishonest valuation. To make the robbery still more profitable, it was decided that this valuation could not be revised, so that, whilst the value of the land increased, the total amount of the tax remained the same, and became more and more nominal. The ownership of land was enjoyed without obligations, with the exception of tithes. It left other forms of property to pay the costs of both central and local administration. The legal theory still is that the Crown is the " sole master, and the original owner of all the land of the kingdom," but no form of property has in

fact been more the subject of absolute possession than land. It was the characteristic possession of the aristocracy and, as they enjoyed political power, they looked after themselves. Having been the distinctive attachment of the aristocracy, land stands to this day in a special category of property and carries with it not so much an income as social distinction. Thus privately owned land has not only withdrawn tolls from production, but has hampered production by game preservation and other forms of luxurious enjoyment.

The confiscation of land took place wholesale at certain times in particular. There were, first of all, the changes in tenure after the Norman Conquest. Then the Reformation witnessed extensive plundering, when lands that belonged to the Church and religious institutions were seized by the landowning class, and all the obligations to spiritual life, education and charity were added to the private incomes of the landowners. Then were the fortunes of many of our aristocratic families founded with an amplitude which has survived years and extravagance, and which they now defend with whole-hearted fervour against all who, even by the most remote hints, suggest confiscation.[1] Of this

[1] Well may John Knox have written after the success of his religious revolution in Scotland and the destruction of his ideals by the bad faith of the nobles, many of whom showed that they were reformers because they were greedy and took an interest in religion because it was to broaden their acres: "Assuredly some of us have wondered how men who profess godliness could of so long countenance hear the threatenings of God against thieves and against their houses, and knowing themselves guilty in such things as were openly rebuked, and that they never had remorse of conscience, neither yet intended to restore anything of that

a poetaster Duke of Rutland, describing the fortunes of his own family and of his friends, wrote :

"While sacrilege, their path to future fame,
They glory in the deeds that stamp their shame.
Are we not now still suffering from the sin
Of him who brought dread confiscation in ?
And durst, by God's sure vengeance undeterred,
To lavish on his courtiers' greedy herd
The wealth which ages had in meekness given
To deck the forehead of the bride of Heaven ? "

The next great confiscation of land took place in the years when, owing to Continental wars and an improving spirit in husbandry, the common lands were taken by the landowners by Acts of Parliament passed by themselves and their agents, again without one penny of compensation (but indeed with pains and penalties) paid to those who hitherto had the legal right of use of those commons. Between 1727 and 1845, 1,385 Acts were passed, and 1,765,711 acres of common untilled and pasture lands were enclosed. Between 1727 and 1900 over 3,000,000 acres of common arable land were stolen by Act of Parliament and enclosed. These figures apply to England only. Compensation was scouted whilst the assimilating process was going on, and eviction of cultivators was justified in the national interest. Compensation only came upon the stage as a moral obligation when all the available land was appro-

which long they had stolen and reft." The Earl of Mar is especially mentioned as having stolen two-thirds of his property "Knox's Works," ii, pp. 128-9.

priated, and when morality was, therefore, no barrier to further thefts on the part of great landowners.

Since then, of course, the lands thus confiscated have been bought and sold, have been mortgaged and are held as securities by banks, insurance companies, Friendly Societies, and have become inextricably woven into our fabric of private possession. Therefore, the history of land confiscation may not be a sufficient basis for a land reform policy. It will have to be supplemented by considerations of practicability and equity, but no Government that deals with the land can begin with any other thought than this : that land came within the scope of private property and was brought upon the ordinary commercial market by great and simple acts of wholesale theft.

Our moral thoughts are usually cast ultimately into a theological form, and so the land reformers' case is generally opened by a statement like, " the land is God's common gift to all." Cast in its severely economic form, however, the point is equally effective. Rent is a toll, not a payment for service. By it social values are transferred from social pools into private pockets, and it becomes the means of vast economic exploitation. Of this injustice, urban land values are pure examples, and the practice of holding up land unpenalized by rates, and of valuation for rating purposes which is much below purchase price, are evidences not only of the political power exercised by landowners, but of the survival to this day of privileges to shirk public responsibilities claimed by them when they had the power, and continued by use and wont. Ordinary honour is excused by historical habit.

Rent is obviously a common resource. Differences in fertility and value of site must be equalized by rent, but it ought to go to common funds and be spent in the common interest. That was the idea at the Reformation, especially in Scotland, where the Reformers saw the prospect of a schoolmaster attached to every church, a school in every village, a grammar school in every town, universities in the city centres of districts, and a sufficient fund for the relief of the poor, the preaching of the gospel and the maintenance of churches—all financed from the land revenues of the disinherited Church.

It used to be enough for Socialist purposes to declare for the nationalization of the land, and to add to that suggestions for co-operative village communities to work it, but, especially since the war and the creation of the new States which followed upon it, Socialists have had to consider the problems of land tenure, not in the abstract but in the concrete. The ideally best method of agriculture is still the large community-cultivation with public ownership of the soil, and when that is possible it should be established. But, as the Russian Soviet Government found, it is not always possible.

Many of the new democratic States consist, up to 80 and 90 per cent., of peasants to whom land nationalization is alien, and in some of these States we have had Socialist Governments. If they were to meet the wishes of their peasants, how could they proceed? The general principles of Socialism have guided them, but the modifications they have had to adopt have been important. One and all, they have confiscated large estates, and now hold forests, mineral rights and surplus land as public property. But the question of cultivation

has had to be solved, not by a rigid application of theory, but in view of existing conditions and opinions; and where those, especially when the peasants demanded proprietorship, threatened to open the door for a new incursion of all the evils that the community had suffered from land monopoly, safeguards had to be devised. In countries (and these cover the greater part of Central and Eastern Europe) where peasant cultivation was the rule, it was quite useless talking, to begin with, of large units of tillage organized scientifically and using all the resources which were available for efficient agriculture. So these new peasant States had to be based on peasant cultivation and ownership. Such is the case in Russia, Czecho-Slovakia, Bulgaria, Georgia. This undoubtedly means a loss in productive efficiency, but in running theories and schemes of perfection, it is folly to overlook the fact that if the minds of the people who must work them will not work them because they are not attracted by them, efficiency and perfection are only other words for failure.

Fortunately, small cultivation and ownership offer no insuperable difficulties to Socialist construction. If the number of acres that any cultivator can hold be limited, and the community keeps a whip hand over leasing and sub-letting—not necessarily prohibiting them, but having the most unquestionable powers to control them—the evils of land monopoly cannot arise. If the maximum ownership be limited, sales need not be interfered with. What a man may own, that he may sell—the market of course being limited to those who do not own their legal maximum. Then, further safeguards must be put up at both ends of the system.

There must be taxation to secure for the State its appropriate share in agricultural production; the produce itself must be handled by co-operative associations which are organically connected with the distributive organization which I shall refer to later on in this section. Such an association set up to deal with tobacco production, was explained to me in Georgia. Sales committees to which the crop destined for the market had to be assigned, were formed in various districts. They were composed of representatives of the growers, the local governing authorities and the Government. They took the crops at a valuation, marketed them, paid their own costs, and then returned the balance to the growers as a dividend. The scheme had hardly come into full work when my attention was drawn to it, but so far it seemed to be giving satisfaction and its operations were being regarded with hopeful expectation. Those responsible were fully aware of certain difficulties that would arise and were preparing plans for meeting them.

By regarding the peasant owner as a producer set in a co-operative system, the theoretical objections to peasant proprietorship can be overcome, and a union between town and country be cemented. The constructive system of Socialism can be adapted to the peasant mind, the ideas of Guild Socialism rather than of Marxism Socialism can be applied to land ownership, and, as I have seen with my own eyes, peasants may thus be enlisted as hearty co-operators in the Socialist State.

Of course it must also be remembered that in States that have confiscated the property of all proprietors beyond a certain acreage, large tracts of land remain

as public property after satisfying the needs of peasants and that the forests and minerals become the property of the public, organized either in national or in local governments. The agricultural area thus retained can be, and in some of the new governments is, used for great experimental farms and botanical gardens with colleges attached, and for large cultivation like tea and vines; part is assigned to local governments for local use and enjoyment or to co-operative agricultural and industrial communities; land revenue has been earmarked for schools, colleges and universities. In many cases, the mansions attached to the large estates can be, and are, used for educational purposes, museums, sanatoria; their furnishings have been bought from their owners, and have either been kept where they are, or, particularly where pictures have been valuable, or libraries good, or furniture fine, have been sent to museums, universities or technical schools, Thus historical values have been preserved and the common culture and spiritual and intellectual wealth greatly enriched.

This country has been for some generations declining in its agricultural pursuits. The atmosphere, of an English county, with its servility and its false ideals, has destroyed the farmer, who has ceased to be an energetic and mentally alert cultivator. He has starved his labour and his lands; the village has deteriorated; the farm labourer has been driven off the soil, and few with personality and mental energy have remained to cultivate. The idyllic picture of squire and tenantry given by Addison in the Coverley Papers was never much more than the gracefully humane dreams of a man of letters, but had it been otherwise, it had no human

robustness to give it stability, and no economic safeguard to give it permanence. It was a picture of lotus eating delight both in love and service. When the *nouveaux riches* came upon the scene, when the ownership of land was used to pander to the pleasure of the rich aping the ways of the old owners and combining them with a jealous sense of private property, and game preserving became the pursuit of the time, no agricultural genius could survive, and English farming became a by-word or reproach and a calamity in statistics. In the northern country of Scotland, where minds were more robust and tenants were not afraid to face landlords in hostility, both on the political hustings and on the days when rents had to be paid, things were different. Societies of agriculturists, like the Highland Society, were not mere political attachments of the Tory party, as similar societies were in England, protection was laughed at, agricultural interests, including even those of literature, were studied, technical papers were published, agitators amongst farm servants were attended to even if the hearts of the masters were hard, the value of a good workman was recognized, and comparatively good wages were paid. The scientific and business aspects of agriculture were pursued, and agriculture did not fail.

Thus the agricultural policy of the two countries became different, and to-day a meeting of representatives of English and Scottish agriculturists, either farmers or labourers, always brings out that difference. This was shown in the discussions on the Corn Production Bill (1917), on State guaranteed prices, in small holdings. Moreover, in Scotland the feeling still remains common amongst the people that private property in land is on

a totally different moral footing to private property in anything else, that trespass is no illegality, that poaching either for rabbit or trout, is no crime, and that access to mountains is a common right. The Courts and the legislature have been against them, but that has made little difference to the people.

The land reformer in this country has not to face the same problems as he in Central and Eastern Europe. Here we have largely to rebuild our agricultural system. Peasant proprietorship is not ingrained in our cultivators' minds. It has no fixed basis in custom which policy has to accept. Indeed, in Scotland, where roots are dug deepest into the soil, the bias is towards communal ownership. We are much freer to make use of both modern knowledge and organization. We can, as in Ireland, recognize peasant proprietorship where that is expedient or economical, and supplement it with the necessary co-operative organization; we have also a wide field for the creation of agricultural communities, either self-centred or attached to municipal administration, with a national organization of science and technical skill similar to that described in the last chapter in connexion with factory and workshop production. The training of ex-soldiers and officers should be directed to this end, and agricultural pursuits should be dovetailed into handicrafts and afforestation. Success will depend upon transport and the enlivening of village life by educational work appealing to the intelligence, by activities (like games, singing and dancing) finding an outlet for artistic and social instincts. This has to be created by strenuous and well-organized effort. Public authorities should take the initiative and, acting

in conjunction with the many societies now in existence with similar or kindred aims in view, could, in the course of a single generation, remake the spirit and the life of the countryside. In Scotland, to-day, we have a great revival of singing owing to the purely artistic and patriotic rebirth of interest in Gaelic folk songs, and to the creation of a joyfulness of life by the Socialist movement with which are connected, either directly or indirectly, some of the most successful choirs. The Socialist would take up this revival and re-creation, keep in front of them a wide and a high goal, organize them and give them a social and communal form, send their mission like a fiery cross over the land. But this programme must depend on the use to which the soil is put, and so long as the earth is owned as it now is, and everything in connexion with the land comes under the blighting influences of county society and the ideal of useless pleasure or superior patronage for which it stands, nothing of permanent value can be done.

If there were to be a revolution in Great Britain one of the first of its results would be the wholesale confiscation of the land. But a revolution is not likely and still less is it desirable. The Socialist proposes to deal with the land in a political and constitutional way. He would begin by putting income from rent in a separate category for purposes of taxation, just as a Liberal Government treated "unearned income," and these incomes would have to bear taxation, say 5 to 20 per cent. higher than other forms of income. He would at once restore the machinery of land valuation and encourage public bodies to possess themselves of land on that valuation. He would use these valuations

for taxation purposes, and allow no monopoly hold-ups to escape their burdens. He would schedule all private parks and mansions existing by virtue of land monopoly, so that they would not be destroyed if they could be used for public purposes when the changes in land-owning transferred rent from private to public use. Working through village life committees and district associations of agriculturists, a Socialist administration would create an agricultural organization for the using of land, and its model and experimental farms and colleges, its central laboratories for the application of science to agriculture, and departments for the collection of agricultural knowledge acquired both at home and abroad, would restore life to the country and make the land once again the source of the community's energy. Thus the deadening and wasteful hand of land monopoly might disappear in the course of a couple of generations. If impatient people object that this is too slow, and cast longing eyes to Russian communism as a better, because a more rapid way, I observe that nothing could be more absurdly vain and unprofitable than to decree such a complete change in a day, as the Russian Government is itself finding out. We have not an organization to profit by it, and our people have not the experience or the habits to make good use of it. It would be a breaking up of the old before the new was ready to take its place, and that is not progress but chaos. To those who object from the other side that the break is too great, and would destroy old classes and distinctions that do hold some good in them, I would observe that these classes are already destroyed and that, as every list of honours and sale

of estates show, they are being kept up in appearance as we re-create the past by dressing people for a pageant or fancy dress ball. The economic foundation for a landed aristocracy has gone ; its historical roots have been cut. The war has laid a heavy axe upon this old order. As it was after the Napoleonic wars, old estates have changed hands, this time largely to their cultivators, who have bought them at values which can be economical only on the assumption of a continuation of exceptionally high prices being secured for farm produce. Some old historical buildings have been sold out of families with whom they are associated in living bonds. Family historical treasures have been dispersed. The ruin, or the vandalism, of our ancient aristocracy, left in this way to put treasures to the hammer that on account of associations belong as much to the nation as to any private individual have, within the last few years, greatly impoverished the nation. Everything warns us against passively allowing the war profiteer and his kind to adorn himself in the old garments and dignities of those who belonged to history, and arm himself with their powers. What is precious must be preserved, and the corporate people alone can do it ; what is spurious must be held in the low esteem which belongs to it.

The system of distribution and production determined by a monopoly of land is, in any event, so bad that no community that has gone through the war can afford it as a luxury or a show, and when the dignified historical superstructure of an aristocracy which was supported by it has become a ruin, public good taste will forbid the erection of spurious imitations in its place.

PROFITS AND INTEREST

Profits and dividends—the share of capital—dominate the present system of distribution. Land exacts its monopoly toll, labour its competitive wages, capital controls the system which pays both. Having the whip hand, it can effect such results as those I have described in the section on production. It gets its market price—interest, it pays itself for all the risks it runs, it gathers unto itself the many advantages which it can turn to profit or can grasp before any other interest can possess them. Thus we get that distribution of national wealth which Sir Leo Chiozza Money in particular has tabulated in such a variety of effective ways. In 1913, when the national income was estimated at £2,150,000,000 and the population was 46,000,000, only 1,100,000 to 1,200,000 persons had incomes of over £160 a year amounting to an aggregate of £1,025,000,000; 15,000,000 manual workers had, in the aggregate, £775,000,000, and about 4,000,000 people who for social purposes would be classed amongst the lowest classes of the *petit bourgeoisie* had £350,000,000. According to the Revenue estimates, over £700,000,000 included in the first class was "unearned" under the definition of the Finance Act and came from rent, interest, dividends. Therefore, almost as much was secured by capital and land as their share of the national income as went to labour as its share, and the bulk of the former was distributed, perhaps, amongst not many more than a quarter of a million people.[1] The effect of the war on

[1] The same is true of America, where it is estimated that interest, rent and profits absorb $12,800,000,000 of the national income,

distribution cannot as yet be told, as things have not yet become normal. Estimates have been made showing these results. The Board of Inland Revenue state that the wealth added by individuals to their private fortunes during the war was £4,180,000,000, two-thirds going to 340,000 people.[1] But it is not sufficient to quote such figures. It may be true as Mr. Allen contended before the Royal Statistical Society[2] that the changes in distribution during the war made towards equality by lowering the value of large incomes, and increasing that of smaller ones, but the conditions under which that has been done were artificial, and as this is being written, the process or re-adjustment has begun. With the fall in prices the larger incomes are increasing in value, with the fall of wages the lower ones are becoming less valuable ; in the background is the power of the owners of the National Debt to exact as toll from the national income an unheard-of amount. In the adjustment, property is to increase its exploiting power, and labour is to have its share relatively diminished.

It is evident that capital is stronger in its organization than it was before the war, and supposing there were

and wages and salaries only $11,300,000,000 (King : "Distribution of Wealth and Income amongst the People of the United States," p. 158). Mr. Jett Lanck, Secretary to the National War Labour Board, states that since the war, "the portion of national income going to profits was increased immensely."

[1] A member of the House of Representatives in America stated as a deduction from the income-tax returns that the 69,000 persons whose income in 1914 exceeded $20,000 a year, pocketed $3,000,000,000 more during the war years than during the three pre-war years.

[2] "Journal," January, 1920, pp. 86-126.

the same conditions otherwise, it would be in a better position to increase its share of the national production than before 1914. The destruction of real wealth by the war, the draining of credit and the heaping up of public debt, have forced up prices, and will have to be paid for from the incomes which national and local government can command through taxes and rates. That crushes down upon people living on fixed incomes, or on incomes that cannot easily be expanded. But the greater part of the people can respond to rising standards of exchange, and capital in industrial use can respond first of all.[1] Whilst the war was still on, and during the uncertain months that immediately followed it, legislation had to be used to restrain capital on some points. The Rent Restriction Act was the best example of this. But it was neither general in its scope nor was it applied with vigour. As a result of the war interest has gone up, combination has increased, the latent credit of the nation has been translated into loans and the wealthy possess most of them, and through them, they have a greater lien than ever on national production. The £400,000,000 which will have to be paid for years to State creditors may penalize industrial capital, but it adds tremendously to the exploiting powers of financial capital. These debts may mean diminution of our trade in the world's markets. If so, there will be a recurring struggle between capital and labour for their respective shares in the lessened proceeds.

With £400,000,000 going every year from production

[1] The effect upon markets, however, must not be overlooked. A country where costs of production are relatively high is a country with limited trade.

to pay for wasted wealth, the cost of production must be comparatively high, attempts will be made to economize upon wages and standards of living forced down below pre-war levels. The capitalist interests will not think of accepting the Socialist proposals for reducing debt by a levy on wealth, and so follow the practice of all sound business enterprises which write off dead capital and do not keep it corrupting the living. The £400,000,000 burden will be sacred, because, however dubious a thing it may be, it does belong to the family of property, and, to treat it otherwise than by the family rules and privileges, might weaken the authority of the rules. The black sheep is shielded by family considerations, and the war debts and the burdens they impose are therefore accepted in the general interests of property. The black sheep, however, can trade upon family indulgence till he brings his kin into disgrace and perhaps penury.

The cheapening of production will be attempted from wages in the first instance, and already the campaign has begun. In no very great proportion of cases have wages been raised by a higher percentage than prices,[1] and I know of no case where wages were forced up before capitalist interests had raised prices. That does not mean that labour has no more reserve from its present wages than it had from its pre-war wages. There has been substitution in consumption which has meant

[1] I came across in a report of the American Trade Commission a striking statement regarding the distribution of wages and profits in the shoe industry as affected by the war. In 1914 profit absorbed half the price and labour one-sixth: in 1917 profit absorbed three-fifths and labour one-ninth.

lower qualities, and though, as in the case of clothing, this is higher costs in the long run, it may be admitted that when the cost of living is increased threefold and wages are also increased threefold, the margins go up threefold as well.[1] In 1914, however, labour was preparing to make demands for a considerable advance in standards, and as the result of the increases in war wages, the most fortunate classes to-day are little better off than they were making up their minds to be in 1914—and are rapidly becoming worse. The inevitable outburst of unemployment will settle this contest for reduced wages. Capital has always a great pull against labour in times of trade depression. Capital's losses may then be considerable, but it is in a position to provide for them in the total costs of trade averages over a period of two states—busy trade and slack trade. Labour for practical purposes is not in that position. It breaks by its weakest link. Unemployment, when living costs are high, speedily brings a large section of labour to destitution, and in spite of trade unions that section soon begins to think of work on any terms that are at all tolerable. Broken labour is brought back into the labour field on low terms, and standards fall all round; broken capital goes out of the capitalist field altogether, and leaves the survivors stronger. Thus, the menace of dull trade is one of unmitigated evil to

[1] The real advantage to labour was not increased wages, but increased family income. This, however, drops whilst wages rates remain stationary, because fewer members of the family are employed for wages and broken working time increases. Though wages have gone up since the armistice, family incomes must have decreased substantially.

labour, whereas it comes with not a few recompenses to capital. That is why capital not infrequently plays deliberately to force labour to strike.

Therefore, the influences that have been strengthened by the war, so far as they affect distribution of wealth, have been those which are on the side of capital. Its combination for production, and therefore its pull in distribution, is greater; its lien on national resources through State indebtedness is greater; the social and personal inconvenience of high standards of price makes for social enmity, and gives the thousand and one mouthpieces of capitalist interest an opportunity to raise prejudice against labour, to pit engineers against miners, and the opinion of consumers against them all. Behind that smoke screen capital remains uncriticized, operating in its own interest all the time, using the quarrel for its own profit. Labour in antagonism to capital cannot permanently occupy ground of tactical advantage on the purely industrial field. In its struggle for a just distribution it cannot wait. It must sooner or later—sooner rather than later—abandon its position of advantage and fight under conditions which make its defeat almost inevitable. The jolts and jars in trade which give it grievances, provide at the same time the conditions under which it is advantageous for capital to disclose its works. Therefore the frequently urged criticism directed against strikes, that they have been foolishly begun on a falling market only amounts to a statement which is not critical but descriptive, that labour's grievances become the cause of war when markets are falling. "Direct action" can never secure for labour economic advantages which the mechanism of the

capitalist system puts under the control of capital. In nine cases out of ten "direct action" will throw the machine out of gear only when it was going out of gear in any event.

WAGES

In its struggle for better distribution, labour is aided by its combinations and by legislation, both of which curb the absolute economic power of capital to reduce labour's share to bare subsistence, including cost of reproduction and substitution by death, age, illness and other causes of waste. That even in spite of these aids, labour in a great number of instances fails to secure a bare subsistence is proved by the existence of charity and the Poor Law, Old Age Pensions, unemployment doles and schemes, Acts for the feeding and clothing of school children—all of which mean that the share of labour is not enough to keep it in a state of self-sufficiency from its cradle to its grave.[1] What happens is that wealth after its first distribution has to be redistributed by taxation and rating in order to secure to many the right to live (poor law), and to enjoy life (education, housing subsidies, health insurance). When to mere quantitative life we add qualitative life, the failure is still more deplorable. Overcrowding, the lack of leisure and contact with nature, of homes that nourish the human

[1] I know that amongst these cases there is a considerable proportion of moral failures, but the figures of distribution which I have given above show that the failure of the system is the major and controlling fact, and that personal faults only select the most pitiable victims.

qualities, of culture, of that freedom and joy which are of the essence of human life, show how little have our production and distribution yet done to make life a good thing to great masses. Nor do men only suffer from want, for, owing to the necessities of the capitalist system, the overburdening cares of material interests hang over life as smoke clouds lie over some of our most beautiful spots of nature, and prevent the ownership of wealth being the same thing as its enjoyment. Indeed, he who owns most often enjoys least. Thus, those who have wealth can use it only for outward decoration and ostentation, for vulgarity and corruption, and those elect ones who, as just stewards, use their wealth well and by it clothe their souls in appropriate garments, are lost in the mass of repulsive tawdriness, of burdensome anxieties, and of the worship of the mean and the profitless.[1] The same failure to use opportunities well is seen in labour, but it must not be forgotten in passing judgment upon that, that in these matters labour is imitative. There can be no improvement until those who habitually own property show that improvement.

Labour has for the time being considerably strengthened its combination, as capital has done, owing to the war. Labour combination, however, is always unstable

[1] Two well-known contemporary books may be mentioned as revealing intimately and from the inside the utter worthlessness and rottenness of great parts of our wealthy classes. Mrs. Asquith's Autobiography does this pathetically. Here our guide through the barren wilderness seems to know that her companionship has been with jackals, and her soul has not been satisfied. Colonel Repington's diary of "The First World War" makes the same revelations without a glimmer of consciousness of what he is doing.

and is subject to mass moods. But there seems to be a permanent improvement in this respect, and the amalgamation of Unions will not be broken up again. Thus, we may look forward to a time when the units of labour combination will be fewer and larger than we have known, and when the labour armies that move to battle will be as much bigger than those of pre-war times as the armies operating in France and Belgium between 1914 and 1918 were bigger than those that Marlborough or Napoleon brought into the field. The mere fact that both sides will fight with mightier forces does not mean that distribution will be more carefully made or that labour will secure a larger absolute share. A complete combination of capital with all its press and propaganda resources, including in nine cases out of ten the backing of the Government as in the recent railway and mining disputes, must load the dice heavily against the strongest combination of labour. Capital as it becomes organized will use its social influence in fighting its industrial battles and will more and more present its labour opponent not only as its antagonist, but as the enemy of the community. Moreover, capital is easily manœuvred in battle; labour is most difficult to handle because it is impatient and impulsive, and a thousand critics and leaders spring up with every crisis. A workshop conflict between capital and labour —the kind of conflict typified by a strike—can, as I have just shown, offer no prospects for a better system of distribution. Amalgamation, formidable to look at, may indeed hinder labour's fighting activity by limiting the guerilla activities of sections when conditions may be particularly favourable for swift, partial or local

action, may formalize and officialize labour's use of power, may have all the fatal disadvantages of Goliath impeded by massive sword and shield when the stone and sling of a lithe David would be more suitable in its battle. National amalgamations are ponderous fighting machines, which cannot be moved in sections, and, if there can be no disputes but national ones, it is easy to see how simple it will be for capital to entrench itself behind the pretence that a war against it is a war against the community, and in the existing state of public intelligence that will be decisive as a rule.

Moreover, we find, unfortunately, that as the mass combinations of labour increase, a movement arises to use them for other than industrial purposes, and to regard the industrial strike as a weapon for imposing political coercion. It is impossible to separate industrial from political action in theory, and at times like the present, when the latter seems slow and feeble to men of active impatience, the temptation to resort to the former must always be great. That industrial action should never be resorted to in such circumstances and that industrial action should be preferred by the workman as being more effective than political action are two extreme propositions to which no one in sympathy with labour can assent. The field of the one, its place and its tactics, are pretty well defined in relation to the other, but cases and circumstances do arise that are on the margin of both and can be dealt with by operations on both. Sometimes industrial action is best, sometimes political, sometimes both. Judgment is required in dealing with these cases as they come. But if the idea was to prevail that the industrial organization can be effectively used on every

occasion to supplement or force political action, those huge combinations of labour would soon be destroyed. There is not much sign of such a thing happening, however. We hear much of it, but not from men of influence who could put it into operation.

If, on the one hand, Society is threatened by Napoleonic conflicts between massed capital and massed labour, it is also perhaps still more seriously threatened by agreements like that of the Bedstead makers. There must be co-operation and not conflict between capital and labour, but the question is: Under what conditions can that be secured? Capitalism may seek to force on labour agreements which, whilst securing itself, sacrifice the community, and there is a danger that labour may accept peace at that price. This danger is intensified if labour is inspired by purely economic creeds. If labour is out for economic ends only, Capitalism will try to satisfy them, and, upon short and exclusively trade views, it may even appear to have satisfied them. The Corn Production Act, with its supplements of guaranteed prices and fixed wages, is a case in point. This Act could easily be used to unite farmers and labourers against the interests of the community, especially if protection became our fiscal policy. I believe that the intentions expressed by the miners before the 1920 strike to help the coal consumer to have cheaper coal, were genuine, but they were unfortunately lampooned in every capitalist organ of opinion in the country. It would now be easy for them to accept the hostile verdict of the public and look after themselves by coming to a wages' agreement which would suit the combinations of capital in the coal trade and impose unnecessarily heavy burdens on the

consumers. This, if pushed too far, would not pay, but, especially if we have Protection, an agreement between capital and labour interested in coal, can keep prices above economic levels. The economy of high production can show itself in lowered prices, or in increased wages and profits—or, indeed, in both; if it does so in the second way and consequently limits consumption, especially for productive purposes, that evil takes some time to prove itself. The economic agonies of a country that is being exploited may be prolonged, for it takes a long time to discover the true source of the disease, particularly if there is a conspiracy to conceal it. If this anti-social agreement between labour and capital were confined to one or two trades, it might mean that labour in them would be better off and its wages would be actually higher. This would affect distribution beneficially for them, but adversely for the rest. If it were a common thing, nominal wages might rise, but real wages would not. It would only establish a system of high prices and hampered exports, and would require Protection to enable it to work. The danger of some such arrangement is at present greater than most people admit. There is nothing in it antagonistic to Trade Unionism, especially if it were worked with Conciliation Boards and a satisfactory method for fixing wages were discovered. It would inevitably lead to Protection, or, if Protection were established first, this kind of agreement would be a natural consequence. In either case the interests of the community would be sacrificed and a scheme which would apparently lead to better distribution would have no such result.

However necessary the legal fixing of wages within the

capitalist system may be for some trades, it is attended with no small risk unless accompanied by a strenuous propaganda of an educational character which will make both labour and the general public aware of the nature of the experiment that is being set up.

On the disorganized margins of industry are encamped a mass of people who have never been assimilated into the more ordered ways of industry, but have remained like gipsies on the outskirts of a modern town. The consumer has never paid for their labour, and cheapness has been the cause of their being sweated. Wages Boards establishing a minimum standard of pay for these people may be justified. Such boards will produce their best effect if by destroying the possibilities of sweating, they levelled up the whole trade and led to the voluntary organization of the labour employed within it. When these legal wage standards are fixed for labour of a more organized and regular type, it is impossible to avoid the creation of artificial labour price, and bounties, rebates, Protection almost inevitably follow. Labour and Capitalism are thus driven into a partnership to keep up standards of wages and profit by keeping up prices or securing financial advantages from the rest of the community. These wages, so fixed, benefit for a time the few affected, but, the balance of prices being out of gear, other labour seeks a re-adjustment in its own interest, so that in the end, labour is pretty much where it started. An adjustment through trade after trade takes place, and when it is finished and the circle has been completed, the advantage which the first beneficiaries had has gone. Standards of exchange are higher, but shares in the product have but little affected. This is

shown in the history of Australasian wages legislation and its consequential results, with a clearness that admits of no dispute. I was present some years ago in a Wellington Court for fixing wages, the operatives having made a demand for an increase. The argument was that prices had risen, and amongst the proofs put in was an increased wages list for another trade determined previously by the Court. The employers did not resist, but being engaged in an industry which had to meet the competition of imports, they complained that as they would have to raise prices to enable them to pay increased wages' bills, their trade would suffer. After some more or less informal conversation about increasing the schedule of the protective duties, an award was agreed to increasing wages. Obviously this is going round in a circle, and is no way to secure a good distribution compatible with communal well-being. The Australian trade unions have come to this conclusion, hence the outburst of labour disputes in Australia during recent years.

Within the system of Capitalism, after the toll of rent has been paid, the control of the distribution of the product must remain with the capitalist. That does not mean that distribution cannot be improved and that the condition of the workers must remain stationary. It would be so if the capitalist control was absolute, but it is not so strong as that. Labour has some power to take. Legislation is its chief policeman. Not only wages boards, but such things as the improvement of the sanitation and amenities of towns, higher standards of housing by-laws, cheapness by competition, gains which labour can grasp and keep especially when they are

followed by improved methods of production, all contribute to progress, and to them is due what advance we see in the lot of the workman during the nineteenth century. But this can never solve the distribution problem, and alter very materially the relative portions of the shares given to capital and labour[1] per head of the classes, and the gulf between the two must remain wide. The dramatic evidences of that gulf which are provided from time to time by the vulgar and Byzantine extravagance of the rich must continue to rouse resentment and enmity. The shares were estimated in 1868 by Mr. Dudley Baxter as being—wages £325,000,000, national income £814,000,000, and these proportions are not much worse than what Sir Leo Chiozza Money estimates exists to-day. Two thousand five hundred persons own more than half our land. In 1914-15, out of £300,000,000 left in property at death, 4,400 persons owned £212,000,000. The same is true of every industrial State. Consequently, if labour has improved its position relatively to rent and interest, it has not done so because it has won a larger share in its products as wages, but because by political action it has been able to get an adjusted share through social legislation, securing free education and such advantages paid for by rates and taxes in the form of a greater share of the

[1] As I write this some leaflets have been delivered to me by post in which I find in display type that whereas before the war not more than £25,000,000 were spent per annum in building private dwelling-houses of all kinds, £75,000,000 were spend upon motor-cars for private use; and that, at a time when public and private economy is being urged to save the nation from ruin, some million pounds' worth of orders for cars were given at a recently held motor show.

common wealth. Labour's political gains have been greater than its industrial ones.

The division in economic interest which I have been discussing gives rise to a fundamentally false view of distribution from which Socialism dissociates itself. A better distribution cannot be effected by changes in the amount of currency secured either as wages or profits. If we have more to enjoy we must either distribute better the values we have produced or produce more of them. Herein lies the weakness of a purely Trade Union policy. It deals with wages primarily, and is baffled when it discovers after its victories that higher wages do not mean more enjoyment of products. Trade Unions are absolutely essential for defence ; they are weak for progress. Industrial action can keep what has been got, but can secure few gains. When labour deals with distribution it must work upon a policy which secures control of the whole distributive machine and which results in more hearty production. Thus Trade Unionism must ultimately concern itself with economic reconstruction and find an ally in Socialism.

CAPITALIST SYSTEM OF DISTRIBUTION

Before dealing with constructive Socialist proposals I shall explain the capitalist machinery for the distribution of products, as the one cannot be separated from the other. The system worked to-day involves the producer, the wholesaler, and the retailer. The producer sometimes puts his own goods on the market as a wholesaler or retailer—like some of the multiple shops ; the

wholesaler mobilizes in bulk groups of production, *e.g.*, ironmongery, drapery, clothing; the retailer brings them in smaller quantities to within reach of purchasers. The system is wasteful in the extreme.

Producers and wholesalers employ great armies of travellers and agents, both at home and abroad, covering the same field and fighting each other on behalf of their respective firms. At the end of the battle, in most cases, all that happens is that the trade of one firm has been taken by another. The agent, so necessary for individual firms in competition, does not add one farthing to national wealth, but is a charge upon it. Advertisement is also essential to this method, for one of the most important secrets of business success is that the crowd believes what it sees often enough, and forgets what is not always thrust under its nose. When the mass has no knowledge to make it independent, its credulity must be enlisted to make it obedient. Advertisement statements are, as a rule, lies for bait, and few either aid production or guide the public on the ways of beneficial consumption. But, when one considers what modern advertising means, one can see what a colossal waste it is. It is now a highly technical and specialized art brought by competition to a fine state of perfection. There is the producing firm's advertising department or its agency staffed with smart business men, typographical experts, and experts in the production of the advertising poster. There is the expenditure on newspapers, the waste in paper and the labour of compositors employed, and, as a kind of by-product which has arisen since advertisers began to trouble about the political opinions of papers, the shadow of advertisers'

influence lying over editorial policy. There is the much greater waste of paper and compositors' and artists' time in preparing the millions of advertising sheets and leaflets issued in the course of a year by firms that wish to take the trade from other firms or to maintain their position against rivals, by firms that have ordinary things to sell but wish to gain a reputation for them of extra special quality, by firms that have nothing of any value to sell but are out to exploit the ignorance of people after the manner of the market-place Cheap Jack. Then there are the hoardings where wealth is wasted on the eye-sickening "Trade Advertisement," and, what is still worse, the vandal use of charming corners on a road, or of a rock face set in the midst of mountains or standing out by itself, for the erection of some sign that destroys one's sense of peace and pleasure and gives one the same shock as, I presume, the announcement of "This way to the King's Head" in Paradise would give the dweller there. All has to be paid for from the national product and reduces enormously the number of workmen really producing national wealth.

Both as regards advertising and the use of agents, Capitalism is beginning to admit its wasteful extravagance, and the newer combinations hope to secure for profits the enormous savings that can be made under these headings. The division of the country and the world into market areas assigned to separate members of the combination, changes the commercial agent into a productive cog in the wheel of distribution, because he is not then only the servant of a firm in rivalry with others, but a useful link between producer and consumer. He becomes necessary for general consumption and not

for a particular firm's turnover. The establishment of foreign and home central selling agencies equipped with samples and information acting for all the firms in the combination, is also an improvement in efficiency and economy, and a transformation of the agent from an unproductive cost to a productive one. The Committee of the Iron and Steel Trades recommended a short time ago that "a national selling organization should be formed for the purpose of marketing British iron and steel products in an efficient and economical manner. This organization should comprise a central body with separate sections, each dealing with the producers controlled by existing associations." Only in this way is producing and consuming to be knit together and co-ordinated by intelligence departments in touch with both functions. This is specially necessary for foreign trade, and needs Government aid and support. Every industrial State should have its properly equipped and staffed industrial department attached to its Embassies studying markets, exchanges, labour and social conditions, and everything must be done thoroughly and on a large scale, and not as hitherto by yawning uninterested officials who felt in their hearts that commerce was rather a kitchen companion for high diplomacy.

A parallel change is coming over advertising itself, and a type of advertisement is appearing which is truly an announcement of goods, so that the public may know of them, and gives information and demonstration how best to use them. This is still mixed up with puffing the advantage of rival firms, but it foreshadows what economic advertisement can be and will be under Socialism.

The greatest waste in distribution is found in the retail trade. Shops extend through street after street by the score and the hundred, each with separate staffs, managers, counting-houses, none of which can be used with the utmost economy. Rents are forced up and the tolls of monopoly increased by the competition, for competition increases the exploiting opportunities of monopolies. In every suburban street in the afternoon one sees delivery vans by the half-dozen distributing imperfect loads of goods sent from shops within a few yards of each other to customers living next door to each other. To sit by a window in one of these streets from early morning when the invasion of rival milkmen is timed, till the evening, when the last delivery van leaves, is to behold a wonderful pageantry of the waste and inefficiency of the capitalist distributive system.

On the face of it, it looks as though this overlapping and rivalry meant cheapness, variety of choice, accommodation for customers and such like advantages. It is not so in reality. These wastes are superfluous costs and must be paid for in the price or the quality of goods. Now and again when there is a shop window war on, the gazers from the pavement may be deceived to generalize from an incident which never means much, and which soon ends, that competition means cheapness ; but this rule can be laid down with certainty that real cheapness can never be a consequence of an expensive system. Variety can be as well secured by organization as by rivalry, and to seek for hours, and perhaps for days, through miles of streets some matter of taste or peculiarity which, when it is found, means little or nothing, is neither the best way to employ time nor to organize

distribution; and whilst it is quite true that, if the greater part of the machinery of distribution were to fall into the hands of great stores or federations of multiple shops, the capitalist controllers might be induced to add to profits by limiting the conveniences they afford to customers, that would not be the case were the organization specially promoted and managed for the convenience of the customer as is the case with the Co-operative Stores. To secure this, the consuming public should have a direct influence upon the management as the Socialist proposes.

CO-OPERATIVE DISTRIBUTION

We are so accustomed, however, to the private shop, ranging from the little accumulation of inferior, fly-blown and expensive soap, sweets and groceries in the room of a private dwelling in a back street, to the great stores in the West End shopping regions of London or Princes Street, Edinburgh, that we find it hard to conceive of any other system. Here, habit provides large blinkers, and we can only see what is at our feet. The store itself is an earnest of complete organization; the multiple shop gives further hints of it; the Co-operative movement comes nearest to it in likeness. This movement in its present form is not pure distribution. It is, however, a proof that distribution cannot be dealt with except in relation to production and transport—that these functions must be organized in harmony. Therefore it is important to note the evolution of the

Co-operative machinery in its business forms.[1] The Co-operative movement has become by the necessity imposed upon it by its own needs not only an organization for distribution, but one of production, and contains within itself all the processes which have been divided and subdivided by Capitalism, and put into self-regarding profit-making, water-tight compartments. The history of the Co-operative movement proves that there is no half-way or partial organization possible so soon as community interests are thought of. It must be complete from beginning to end.

On its purely distributive side, it would be hard to deny that the Co-operative organization has brought upon the tables and backs of the middle sections of the wage earners a variety of articles, sound in quality and moderate in cost, which no shop-keeping rivalry could have done. The very faults of the Co-operative movement, as, for instance, its proneness to follow conservative habits in selecting the goods supplied, have not been without advantage in protecting customers against useless and transitory fashions and fraud. If things have to be tested by the public before they appear on the Co-operative Store counter, all the better for the customers.

SOCIALIST DISTRIBUTION

I am now able to use this critical survey for the foundation of some constructive Socialist proposals. Some will be quite definite and of the nature of items in a programme that ought be be carried out at once,

[1] *See* pp. 101-102.

some of the nature of experiments that ought to be watched with critical care, some only suggestions of a more general character which must await changes to show the definite line of advance—suggestions, however, which may not be without value as indicating the purpose and the methods of whatever forms of organization may arise from fuller and riper experience.

ACCUMULATION AND THE PROVISION OF CAPITAL

First of all the Socialist must deal with massed wealth, for from that come the characteristic features of capitalist distribution. I have already given the figures of the distribution of national income, and here, according to the report of the Inland Revenue officials, are those of national wealth. In a year (1915) when 670,000 persons died, 594,000 left no estate at all or one under £100—that is, they were able to bury themselves and provide mourning for their relatives and not much more. Only 75,739 left estates of over £100. The aggregate value of the estates amounted to £300,000,000 in round figures, but of that £211,600,000 belonged to 4,400 persons. Sir Leo Chiozza Money estimates that "one-seventieth part of the population owns about two-thirds of the entire accumulated wealth of the United Kingdom." Death Duty and Succession Duty statements are always drawn in the interest of the heirs when that is possible, but the under-estimating does not take place in connexion with estates of under £100. There may have been gifts before death, but they can in no case amount to

much. In the most rare cases are they so large as to give the recipient a lien on future production.

Now, it is perfectly obvious that inherited wealth is the chief instrument by which land monopoly, capitalist production and capitalist distribution are secured. The process is interesting. It is by no means to be condemned altogether, for it has merits which should not be sacrificed, but it has become such an accepted thing that even the suggestion that it should be examined and its claims brought before the bar of reason, frightens people and savours of robber, Whoever is interested in the reformation of Society and the ending of the great anomalies of the existing one which now threaten civil and economic peace, must, however, examine the part which unlimited inheritance plays in distribution.

The right of inheritance is unassailable except in communities based upon pure communism, and for my purpose they need not be considered. We are living in a time either too far off from the beginning of things, or not near enough to the perfection of the end of things, for us to consider the practical politics of the communist state. Inheritance allows continuity ; it is a corollary of individual possession ; so long as individual accumulation is necessary to provide the capital required for production, it is essential ; it is an important expression of the very proper feelings of care which parents have for their children after their own deaths. Some of these things will disappear under different economic conditions. When production is organized so as to provide its own capital, that reason for individual saving will be gone ; as parents become freed from the follies which beset so many of them, they will see that to set

up their children in ways of useless living may be anything but "good" fortune, and instead of helping may deprive them of those saner and deeper delights which are generally denied to all except to those living lives of honesty and simplicity. There is certainly a better way for the intelligent parent to show his affection and his care for his children than by leaving them so much wealth that they can live off other people all the days of their lives and exist as useless members of the community. We need not, however, consider the matter from the point of view of individual right, or moralize upon it from the point of view of individual wisdom. The State, by its Death and Succession Duties, has already settled that in the practical working of things political, property passing from owner to heir shall leave a residue in the hands of the Treasury. It is true that this has been done with no thought as to how it influences the general working of the machinery of national distribution, but only as an expedient for finding State revenue to balance State expenditure. It does recognize, however, that the right of succession is limited and not absolute.

The social effect of unlimited inheritance or of inheritance unregulated for social ends, is the stereotyping of social classes on a property basis. It secures that, except in most special circumstances, a man's position depends not so much on what he is or does but on what he has, and thus from it spring not the virtues of care and cautious use of possessions, but the evils of snobbishness and false standards of appreciation. Economy may be the mother of inheritance, but inheritance itself produces progeny of a different family.

On its economic side the real nature of accumulation and inheritance is but little considered because it seems to be so securely founded on expediency, sound morality and justice. Capital in use is constantly wasting and deteriorating and must be as constantly renewed by new production set aside for that purpose. If the capital required for industry is held in private possession so that it can be withheld, there need be no hesitation in admitting that under such circumstances a payment for its use—called interest—must be made and the return of the original capital provided for. The capitalist system arranges for this most effectually by transferring to the capital-holding classes all those surpluses from which the renewal of capital comes. By this differentiation of function it creates a class with a social status and prestige which perpetuates itself more by inheritance than by service. It is the class that commands the reservoirs of wealth from which capital is supplied, and the economic mechanism of Society works in such a way that the surplus streams of production flow into these reservoirs and keep them replenished. An inheritance that is practically unlimited has a decisive influence in wealth distribution.[1]

In so far as this secures a training in managerial skill, *e.g.* in so far as the capitalist is brought up to work his own industrial capital, it has its advantages though the community pays dearly for them. Little can be said, however, for a hereditary system of capital owners, for a pure capitalist class, or for the placing of a hierachy of wealth inheritors over a staff of managers who have been

[1] For a further development of this argument *see* p. 225 *et seq.*

technically trained and who have risen by selection from their fellows owing to capacity. There should be no place in Society for honorary managers placed over practical managers.

When these points are considered we begin to see that, from the social point of view, the powers of inheritance might with advantage be strictly limited if industrial capital can be provided otherwise. Widows, children, dependents—all who have legitimate claims and expectations—should have enjoyment to the full, less the revenue claims that the State for purely income purposes has to make on estates. That I take it is a corollary from the moral right of possession by virtue of service. An individual must be allowed to fulfil his natural obligations and these may run after his death. There should be no possibility, however, of "founding families" on exploitation, and a system of taxation could, if desired, be devised by which inherited wealth could be steadily deteriorated, and its powers of continued exploitation diminished. There should be no perpetual pensions either from the political or the economic State.

Hence some Socialists propose a direct attack upon inheritance.[1] It is argued that it would not be difficult to our Revenue authorities to keep track of inherited wealth. Supposing a person dies leaving to his family in various shares an accumulation which he himself has made of £500,000. This would be subject to the appropriate revenue taxation, and records could be made of its distribution and of the beneficiaries. In due course, one of these beneficiaries, who had received, say

[1] For an exhaustive statement of the case for this policy, *see* Mr. Hugh Dalton's "The Inequality of Incomes."

£100,000, dies in turn leaving an estate of £150,000. It would be assumed that the sum he received by inheritance, say £90,000 net, is in that total unless proved otherwise. Upon £60,000 revenue taxation would then be imposed, and the £90,000 would have to bear a special inheritance taxation of perhaps as much as 50 per cent. This follows the scheme proposed by an Italian economist, Professor Rignano. [1] By diminishing the numbers living upon income from capital and rent, the labour, brains and skill pool of Society would in this way be constantly augmented, and the amount of production increased.

I do not place very much importance upon this, however, though no Socialist Government could neglect the problems of unlimited inheritance and its effect upon distribution of wealth and labour. The best way to supplant a bad system is to begin a good one, and to attack the problem of inheritance as Professor Rignano does, is to destroy without replacing. The evils of inheritance will automatically disappear when its services are provided for otherwise, and if a Socialist Government were in existence it would take steps not primarily to destroy, but to supply in its own proper ways the social services which Capitalism in its proper ways renders to Society. These are mainly two—the provision of management and the supply of capital for substitution and industrial expansion.

[1] "The right of free bequest should be complete as regards property accumulated by saving and personal exertion : it should be considerably restricted as regards property received by inheritance, and it should be progressively restricted until it is completely annulled as regards property which has been transmitted a certain number of times from the dead to the living."

MANAGEMENT

Management, as a matter of fact, will present no great difficulty. Indeed, this problem is already solved, for in very many cases the official capitalist directors and owners do little but what their hired management advise, and are successful as they are figureheads and do not interfere at all. Management is already supplied by the special technical training of men who have no capitalist interests but who are salaried officials, and from promotion from below. A study of the "Directory of Directors" or similar publications, makes it perfectly clear that a large percentage of the people holding positions as directors are there not because of their knowledge of the business for which they are legally responsible, but for some other reason. When education is more widely spread and scientific and technical skill better nurtured, and when industry presents an open road to ability, the supply of managers will be more than ample and the function of management will not be confined to a small differentiated class of capitalist agents but will be diffused throughout the body of workmen.

NATIONAL BANKS

The provision of capital, however, is another matter. The most elementary common sense sees that from its own production every organized unit of industry should be able to replace the capital which it is using, and that the industry as a whole should be able to supply its capital of expansion. There is also the necessity to

provide a capital pool for the general purposes and exigencies of industry. These charges must be provided for if the business is paying in its various parts or as a whole. How are these provisions now made? The year to year replacement of capital is, in properly managed works, paid from income, but for the capital of expansion no special provision is made. The working theory is that the surpluses required for capital of the latter kind should be paid as dividends, and then attracted back into industry by prospectus inducements. Dividends include reserve capital, but that is obscured by their being regarded wholly as interest, and, therefore, as private property to be handed over to individuals to save, spend, re-invest, waste or do with what they like. The change that Socialism would make would be to make arrangements for its own necessary accumulations from which to provide for the replacement of used, and the supply of otherwise required, capital.

Obviously the first step to be taken is to establish a State Bank which will be based upon the industrial business of the country, and be run to promote its ends. This Bank would have the sole right to issue paper currency, and to it the Mint should be attached. It should also be the bank of the Government. It should be supplemented by and co-ordinated with Municipal Banks which will have the same function in local government as the national Bank has in imperial government. The State control of such Municipal Banks should apply exclusively to guarantees of sound financial management and should not concern itself with municipal policy.

Thus the banking business of the nation and of all the municipalities (the local banks could be grouped

into districts), would be done by national and municipal departments which would deal with the financial side of all their enterprises and receive deposits. These banks would also keep the industrial accounts, and act as financial secretaries of local industries. Thus, national and municipal finance, would be systematized, financial parasitism ended, and a capital pool be accumulated as a reservoir from which an efficient system of production could be kept going, and the financial business of government transacted. The function of finance must be co-ordinated with those of government and production.

When the next three steps towards an improved system of production have been taken—namely, the nationalization of industries like coal-mining and railway working, the special taxation of abnormal profits, such as are now made by combines like those dominating sewing thread and tobacco, and the beginning of the control of industry by labour and experienced management—the function of these public finance agencies will be greatly extended, and the capital pool at their disposal correspondingly enriched. In the nationalized industries accounts will be scientifically kept, and surpluses scientifically apportioned. In this way, the utility of each producing unit will be seen, and its advantage or disadvantage known. When the complete co-operation between science and industry has been effected, the required expenditure will be forthcoming, and when trade renewals, improvements and expansions become the subject of organized consideration and plans, capital will be at the disposal of those responsible for its expenditure. Experiment will then be paid for not from workshop or company surpluses, but from industrial

reserves set aside for such expenditure. Industry will retain its own capital pools. Then shall we go ahead.

The great utility of agricultural banks has now been proved absolutely, the dangers which beset them at the start owing to the unforeseeable nature of the transactions they had to undertake, and the way they were abused, have been exposed by experience, and after the losses and failures that were necessary preliminaries to their successful establishment, they have emerged sound and stable. They are forerunners of very important developments, for they indicate how the supply of industrial capital can be liberated from the wasteful and uneconomical system of capitalist finance, and be associated directly with the industrial life of the community. In this respect, there is no difference between agriculture and other forms of industry.

Municipal banks have also been started. Under a private Act of 1919, a Birmingham Municipal Bank was opened on the 1st September of that year, and at the end of seven months had received on deposit over £880,000, and had placed nearly £700,000 at short call with the Corporation for its needs, thus saving considerable sums to the ratepayers.[1] It had absorbed a temporary Savings Bank, opened twenty branches, got in contact with Savings' Funds attached to factories and School Savings Banks and Trade Unions, advanced

[1] It seems a most absurd method that taxpayers put their money on deposit at a private bank at 2½ or 3 per cent. Their municipality borrows that money at 7½ per cent., and their rates have to find the interest. A direct deposit would not only give them a bigger percentage, but lower their rates, thus enriching them twofold.

money for the purchase of houses under the Land Settlement (Facilities) Act, 1919, and helped with the issue of Housing Bonds. By the winter of 1920, it was receiving deposits at the rate of £100,000 per month, but the withdrawals owing to bad trade were mounting up to between one-third and one-half of the deposits. Its start has been auspicious. Another bank has been started by members of the Borough of Kirkintilloch, in Dumbartonshire. The municipality could not do this officially, but the advocates of a municipal bank there have got round the difficulty by creating a Company the directors and shareholders of which must be members of the Town Council.[1] The bank seems to be succeeding, and other towns are preparing to start similar institutions.

Not a minute too soon, the Government became aware of the dangers of combination amongst banks. In 1844, when the Bank Act was passed, 207 private banks in England and Wales had the right to issue notes; in 1901 only 20 remained, and by the end of 1919 only six. In 1921 the last of these banks was absorbed.[2] That shows how independent banking houses disappear. After a series of bank amalgamations had alarmed the business interests of the country, the Government

[1] The Corporation takes the deposits of this bank day by day, paying for deposits 5 per cent., and for Savings Bank accounts 3 per cent. Up to March, 1921, it had received £13,000, of which £3,600 had been withdrawn. The liability for interest is about £450 per annum, and if the money had been raised by loan the Corporation would have had to pay £700 in interest.

[2] The number of English Joint Stock Banks fell from 106 in 1891 to 34 in 1918, owing to amalgamation.

appointed an Advisory Committee in 1918 to consider all further proposals for amalgamation, and pledged itself not to sanction them except with the approval of this Committee.

Again, however, it must be remembered that conferences over dinners and the unwritten, but no less strongly binding, agreements that are arrived at in this private way, are far more easy to arrange in finance than in industry. One can stand at a point in the City of London and be within a stone's throw of a handful of banks and financial agencies which by an agreement come to quite legally though perhaps in defiance of the intention of a law or government decree, would influence materially in a very short time the business operations of the country. Nor is the growing importance of American finance in international trade an assuring event. One of the things that can be assumed as a certain consequence of the war is that finance is to hold a more important grip on international industry than hitherto, and that, in their own interests, communities must protect themselves so far as possible against an imperious international financial trust. In any event it is quite clear that this country will have to watch not only Lombard Street, but Lombard Street and Wall Street. If international finance is to fight within itself, the battle is to strew the world with industrial débris ; if it is to combine, the slavery of labour, both in its aspects of toil and of management, is inevitable, and the politics of the world will become the will of finance. For finance can command the sluices of every stream that runs to turn the wheels of industry, and can put fetters upon the feet of every Government that is in existence. High finance, the

creation of an artificial system under which organic unities are divided into profit-making sections, sits in a supreme place difficult to approach, recondite in its doings. At best, a few rule in its realm, its ways are intricate and hard to understand, its job of extreme delicacy, and in no other department are consequences of action less calculable or more far-reaching.

Its ramifications are as fine as a nervous system, and as centralized. It is the nervous system of Capitalism. Those who control finance can paralyse Society, can make it drunk, can keep it normal. And in all their transactions their own interests are put first. Of course these interests are involved in the general interest. They cannot flourish in a dead economic State. But they can fix exchanges, bank rates, capital values; they can tighten or loosen the purse-strings for Governments and manufacturers; they control the means upon which the political and industrial State depends for its existence. If a Labour Government came into power, they could starve it. A financiers' counter-revolution would be more effective than a soldiers' one. The common attack upon the financier that he is dishonest, arises from the reputation of some of the knights of the road who live on the outskirts, but is false. The financier is honest; he performs functions essential to Capitalism; were these things not so, he could not exist for twelve months. I object to his power. It is too great to be left safely in private hands seeking personal gain. I object to the waste of brains, of labour, of ingenuity, of effort which his existence involves. No community can be free until it controls its financial organization. But finance cannot be controlled, cannot be absorbed into the

functioning organization of the community, until industry has been organized on Socialist models.

COMMUNAL PROFITS

I have referred above to the next three steps, and have already discussed two, but the third, taxation of specially large profits, I have not yet discussed. It is perfectly obvious to everyone that the enormous monopoly profits made by combinations like those in cotton thread[1] and tobacco, show the complete breakdown in our system of distribution, providing we insist upon expecting from it some measure of equity. Dividends of 30 per cent., bonuses of from 30 to 50 per cent., repeated again and again, watering of capital two and threefold—the mere recital of such spoils makes one think of ways of possession by capture during war, loot, or pillage. It is a method of holding the community to ransom and picking its pockets. Let us, however, put the best possible face upon it, and regard this accumulation as caused by the fact that the things produced and sold are so numerous that a reduction in price equivalent to no more than the smallest coin in circulation would swallow up the whole accumulation. Granted! To whom does the accumulation belong? The capitalist who now gets it?[2] The workers whose wages have been notoriously inadequate? The consumers, because the accumulation is really one of over-payment than one of capital earning? Obviously wages should be

[1] This combination made an aggregate profit of £14,500,000 in the four years 1917-20.

[2] Five members of one family deeply concerned in one of these combines have died since its fortunes soared, and their aggregate confessed property amounted to £12,000,000.

increased where they are low. The remainder of the special accumulation is certainly not a reward of capital and should be regarded, as a Co-operative Store regards the over-payments on goods bought by customers which it distributes periodically as dividends to the overcharged purchasers. How is this to be done? Some combinations make special accumulations in order to give dividends and rebates to retailers and so bind them to the combine. This method cannot be adopted as regards final purchasers when the items bought are reckoned by the million, and purchasers by hundreds of thousands. We can, however, regard the surpluses as collective wealth to be used for individual enjoyment, like public parks or galleries. A community intelligently organized can always find plenty of productive ways for spending money in promoting individual benefit both directly and indirectly. To-day, had we reserves provided from profits of the nature of undistributable dividends on purchases, how much simpler would be our housing or our education problems, or, if we wished to earmark them for more general purposes, how well they could be spent in preserving for the whole nation places of natural beauty and of historical interest. Were these accumulations now going into private pockets put into a Common Good Fund, as the "whisky money" was about a quarter of a century ago, an infinite variety of educational work could be done from one end of the country to the other which has now to be neglected for lack of money.[1] The time will not come within the

[1] One instance of how such money might be spent is in securing for the country the national treasures which cannot be replaced, but which are being sold to American millionaires for vulgar display and vainglory, *e.g.* the Hamilton sale (1920).

range of our farthest vision when such funds cannot be used for common benefit. A Common Good accumulation solves the problem of how these otherwise undistributable surpluses can be used in the interests of those who properly ought to enjoy them but cannot do so separately.

It will not be easy to get hold of this wealth, but if the community declines to deal with combines in a Socialist way, it will have to consider how to share in their profits and economies. To limit profits by taxation is no easy matter, but the problem will have to be faced. What, for instance, is to be the basis upon which the legitimate profit is to be calculated ? Is it to be the dividend on watered capital, or on capital in economic use ? Is it not to be a dividend on capital at all, but a profit on the turnover and trade ? If the calculation were made on the costs of production, as has also been proposed, we should be where we were during the war, when we allowed firms to make profits upon costs and found in consequence that profit and extravagance went up in harmony. All I am concerned with at this point is that there is a general agreement both on moral and economic grounds that these abnormal profits have no justification, that they are flowing towards wrong destinations, and that their continued and cumulative effect is to make the mechanism of distribution work more and more adversely to hand and intellectual labour. The Exchequer ought to take cognizance of high dividend and reserves. They have no industrial value, and the capitalist energies that they engender belong to the vices and not to the virtues of property acquisition. The first and easiest step

should be to tax dividends beyond a certain percentage and work out by experience the necessary allowances that ought to be made. Or the point might be put in this way, that the Exchequer should regard share capital as being somewhat of the nature of what debentures now are and allow it to receive only a fixed profit.

UNEMPLOYMENT

A counterpart of these great accumulations is unemployment. The periodicity of unemployment is a demonstration that the capitalist mechanism of production and distribution cannot work, for the only possible view to take of this phenomenon, which is universal under Capitalism, is that it is a breakdown of the machine. Let us follow the working of the machine. We are in good trade. The stream of commodities flows from producer to consumer; labour and capital both find employment; the percentage of labour out of work is down to the economic minimum, and capital seeking employment is used to a similar extent. But this will not last. There are forces within it which drive it harder than is economically sound. It is worked without reference to market possibilities. It cannot be adapted to its purpose, because, whilst its social aim is to produce under the control of communal need, it is actually worked under the spur of individual profit making. It is therefore like a fiery steed which begins at a trot, is whipped up into a gallop, takes the bit between its teeth, and in the end collapses in a ditch, where it lies until it gets its wind or is mended, and as soon as it is

on its legs again goes through the same processes, leading to the same collapse. That is a plain and sober description of the inevitable working of competitive Capitalism. It can do no other. When competitive it scrambles, when combined it exploits.

Nothing reveals the inadequacy and inefficiency of Capitalism more clearly than a comparison between it as a machine and any of the machines used in production. If the machines and mechanical contrivances which labour uses in production were as badly constructed, were as unskilfully used, and broke down as frequently as the economic system of Capitalism, production would still be in a primitive condition, industry would still be hand-work, and agriculture would be the only considerable occupation of our people. It is not that Capitalism breaks down now and again, but that it never works. Let us imagine a machine built for the making of boots, which is guaranteed to start, to gather speed which the workman cannot control, to become groggy to collapse, to be mended by engineers, to start again and then go through the same process. What manufacturer would ever think of building up his business on such a machine? Into what a condition would the general use of such contrivances bring the boot and shoe trade? And yet, such a machine is the model of Capitalism as a working system.

It is said that unemployment is due to various causes. There is always the personal factor. Labour is employed so long as its product is not less in value than some marginal utility or cost. That means that labour must have a certain standard of efficiency, and if, owing to age or infirmity, or economic character (supposing, for

instance, it has been deteriorated by drunkenness) it does not come up to that standard, it either cannot be used at all, or used only in a limited way. The personal factor has, however, an insignificant influence upon what Society knows as the recurring crises of unemployment when neither labour nor capital is in demand though their products are in demand for use if the economic power to purchase them were also available.

Unemployment can also come from a failure in nature, great droughts, destroyed harvests and such like, and, from what has the same economic effect, widespread destruction owing to war. Then the channels of commerce are destroyed and their economic levels are altered so that the flow along them is interrupted. Then there is much poverty, much work requiring to be done, but an insufficient power of economic demand and an insufficient freedom in exchange to permit the work being done. Under all these circumstances, Society has to go through a troublesome time of readjustment during which the system is out of order. The organization of world supplies, however, has vastly diminished the evil effects of a natural shortage by pouring in the good local harvests to adjust the shortage of the poor local harvests. We work more and more on world supplies except where the follies of statesmen erect new barriers to the natural flow of commerce. As to the destruction of war, though it is largely responsible for the intensity of the unemployment which is rife whilst this is being written, and though the blinded passions of people and the incompetence and cowardliness of statesmen have added to it by policies which are an offspring of the war and augment the evil economic

consequences of the destruction, the infrequency of war means that it is only an occasional cause of a phenomenon which is universal and which appears with almost the mathematical regularity of a comet or a new moon.

Unemployment may also come from temporary and unavoidable breakdowns such as happen in the best equipped factories. A change in fashion or in taste affecting demand: a reorganization of any of the processes of production by the introduction of new machinery, or a different co-ordination of labour, reducing waste perhaps; a supplanting of one form of production by another like the transference of homework to factory work; an increase in the cost of labour altering its marginal utilities, and throwing certain types of labour over the border line which divides economical from uneconomical labour—all these may temporarily cause unemployment. But again, these are continuous and insignificant wastages, and they do not burst out into a crisis periodically. They do not cause, and indeed contribute practically nothing to, the social phenomenon of a cyclical state of unemployment of efficient labour at a time when its products are wanted if they can be purchased.

Finally, the machine of production and distribution can perhaps never be so finely adjusted that one hundred per cent. of the labour available will always be employed. There must be a small margin of perhaps two or three per cent. temporarily out of work. Once more, however, this is not the problem of unemployment as we know it under Capitalism.

I repeat, unemployment crises are inherent in the

industrial system of Capitalism, and are a proof that Capitalism as a system of production and distribution cannot run steadily and smoothly, and therefore cannot be accepted by Society as a satisfactory method of supplying the needs of the people.

Just as under any satisfactory system the surplus profits of industry will be used collectively to improve the wealth enjoyed by all the individuals of a community, so, under such a system, the necessary waste of unemployment will be a cost upon the industry just as a renewal of its capital is a cost upon it. To-day, Capitalism provides that its temporarily unused margin of capital will be a charge upon production because it is its proper interest to make such provisions. The deterioration of an unused machine which is kept for future contingencies finds a place in the business expenses. The deterioration of an unused man is not taken into the accounts at all. It ought to be. Industry should provide for its inevitably unemployed margins. Under Socialism this cost will be comparatively small because the unworkable machine of Capitalism will be improved out of existence, and by the co-ordination of production, distribution and demand—by making supply not a haphazard but a scientifically calculated thing—the crises of unemployment will disappear. In any event, the assumption that a person out of employment is nobody's man except in extremity the Guardians', is going the way of many ideas which were prevalent before we reached the conception of production and distribution as communal functions and interests, and no scheme of industrial organization, except that which I have been outlining, will allow the admitted responsibility

for the workless man to be taken up with safety to the community. The system of insurance is a half-way house. It divides the responsibility between three interests, the man's own, that of the capitalist employer, and the State's. Its working necessitates large reserves of inefficiently used capital and its use must always be very limited both as regards the help given and the time for which it is given. We need a much simpler and more scientific system. Insurance is a makeshift to cover capitalist risks by imposing burdens on wages which do not fall properly on wages at all. The economic margin of unemployment and the trade risks to labour which any industry requires should be a charge upon the finances of the trade.

THE DISTRIBUTIVE SYSTEM

Thus far I have been discussing the distribution of wealth, and I now turn to the distribution of goods. As regards the mechanism of distribution of goods, Socialist ideas, though quite well defined in general outlines, can only be tentative in some important details. There are so many unknown and undiscoverable influences in social advance, that no Einstein can appear in the realm of social science. It is not a mathematical but an experimental science, and ought unblushingly to confess that the policy of "wait and see" is to it more than a silly catchword for the delectation of the easily pleased. Working on hypothesis and studying results are its methods. It turns past experiences into a guide for future improvement, and in the process it watches

vigilantly for every influence that shows itself. Its mind may be on ideal things, its foot can never be lifted from reality. Remembering this precaution, I can proceed to indicate the character of the Socialist mechanism of distribution.

The system must be modelled on what we now see in operation in the Co-operative movement, where the consumer has organized himself to supply his own needs. The smallest unit to be organized is the locality and the store. The locality in not a few places is already pretty completely enrolled in its Co-operative Society, and capitalist combinations like the multiple shop are also crushing out the old type of shopkeeper—not the shopkeeper living rather poorly on the margin, he who gets the crumbs that fall from the ampler tables, but the shopkeeper who did a substantial local trade in the High Street, and who lived comfortably and played no small part in the life of his community. He is the victim whom no law can protect. The evolution of Capitalism on the one side and of Co-operation on the other has marked him out for destruction. He will not go in a day nor in every place. Statistically he may not seem to be declining very much, but the world has changed for him, and those who replace him are not what he was.[1]

This process may be influenced by various possibilities.

[1] In a volume explaining some of the industrial methods of Belgium—"Etudes Productivistes"—there is a chapter dealing with the sellers of fancy pastry and with hairdressers, from which it appears that these sections of shopkeepers have had to unite for common production of cakes and of perfumes and hair lotions, whilst continuing to sell them as though they were the old individual manufacture. Thus behind an apparent survival of the small shopkeeper there is the inevitable combination.

If, for instance, shop assistants would, or could, strengthen their organization, we might see, with the assistance of political power and the aid of the workpeople in the factories pursuing a like policy for themselves by ways I have explained (this is quite possible in multiple shops in the boot and shoe industry), a movement aimed at securing for the staffs some managing control in the shops. For this purpose shops employing comparatively large staffs, or multiple shops, would have to be dealt with first. The general purpose would be definitely to merge shops into one system of co-operative control so as to carry out a great concentration in providing and selling stocks, and to secure convenience to customers and economy in delivery, saving capital employed, and a pool from which to replace it. A combination between the Co-operative Stores and the multiple shops would control a very substantial part of the retail trade of the country, and that, linked up with workshops managed as I have described and with railways and canals similarly worked, would be the beginning of a properly organized system of distribution designed to keep costs low and conserve for the consumption and use of producers the maximum quantity possible of their gross products. The control of the system would rest on the local store which would be managed by a committee representative of the consumers and the staff, and be federated into District Committees which, amongst other things, would examine and watch the work done in localities and deal with questions like wages, transport and supply facilities common to groups. Here also would be discussed general problems of distributive organization, ideas regarding extension and development and co-

operative policy. Wholesale organization would follow similar lines, but the staffs and committee responsible for that would concern themselves specially with such things as foreign supplies of goods and the relation of production to consumption. A National Secretariat of Consumers' Councils, with its equipment of scientific laboratories for food analysis, for the discovery of food compounds, for the study of preservatives, would be part of the great organization of national knowledge and experiment. It would have its information and statistical departments for collecting particulars of costs and prices, surpluses and profits of crops and production at home and abroad, of markets local, national and international; its contacts with similar bodies in other parts of the world; its conferences representing the grievances and the gratitudes of the consumers, the workers and the managers engaged in keeping the system in efficient working order. This would produce benefits to the consumers incomparably greater than Capitalism, either in its competitive or its combination activities, can ever hope to achieve. The economies and the surpluses would enrich the community; quality would not have to be groped after by consumers poorly qualified to detect it, but would be the concern of the distributors to secure and sell; price would not be a haphazard thing—one thing on one side of a road, another on the other, and yet different five hundred yards off in another thoroughfare.

It has been suggested that the present system of distribution, with its thousand and one separate interests and its mass of little struggling shopkeepers standing like a bodyguard round the larger capitalist distributors

(until such time as these larger interests knock their bodyguard on the head), has so many fibrous binding roots and such an interlocking entanglement of branches, that the ground can be cleared of it only by some revolutionary sweep—none the less revolutionary because it may be done by Act of Parliament. I doubt the success of such a method. As a rule the best way to supplant an old imperfect system by a new and better one, is exactly the same method that nature adopts. The seed of the new within the body of the old first grows upon the old and then displaces it or whatever parts of it are past their time; thus leaves swell and burst their sheaths. Or it may be that a more robust life invades the field of a less robust, and year after year the latter shows itself in retreat from the former; thus a more complete form of organization displaces a less complete one. Therefore, looking back to estimate the effect of the working of the nucleus of a better form in the midst of an inferior one, the Socialist can see how little is the value of superficial direct attacks upon the inferior system—say the taxation of inheritance to diminish excessive and hereditary accumulation—or upon ultimate reconstruction; how such attacks are most likely to fail because they are only attacks, and whilst they provide a definite and clearly seen danger to frighten the assaulted, they do not with sufficient force emphasize the positive intentions behind them; how important it is that the changes aimed at should be those that have a momentum of growth, those that will not end in themselves but will produce fruits of a known kind and value. Reformers inflict hardship not always by what they do, but by the way they do it. For the

same reason they cloud the justice of their proposals in prejudice and make difficulties for themselves. Justice in a new light or aspect is one of the most alarming things to the minds and interests of men. We have only to study the story told in the Gospels to understand that. In trying to establish a system of co-operation in distribution, it is not a hopeful way to coerce by legislation or by any revolutionary act the thousands of shopkeepers who see nothing in the change but their own victimization, or to extend the scope of Co-operation by any political edict. Rather should we observe the capitalist movements in the direction of economic co-operation, like the multiple shops and large stores, and guide their development on democratic lines, attach them to the movement of communal organization, and all the while keep strengthening Co-operation from within. Coercive legislation can play but a small part in the transformation of the system of distribution. That work must be done by a development of the tendencies which are already busy within it, legislation coming in when impediments have to be removed after being recognized as impediments.

THE PLACE OF CO-OPERATION

With this purpose in view, some changes will have to be made sooner or later in several present-day tendencies in Co-operation forced out of its proper channels by the pressure of the capitalist system. The Co-operative movement will have to see the productive and transport services it has instituted to equip itself

for its fight against Capitalism merged into the general productive and transport system of the country. That, however, is not yet. One thing is pressing. A few years ago Socialists urged, in season and out of season, a policy of municipal trading, and limited their ideas of the municipality as a general provider only by the practical possibilities of the time. They were prepared to extend municipal trading indefinitely so as to counteract the evil consequences of Capitalism. It was both a natural and an effective first move. It was not only a protection to the consuming public, but a legitimate demand for an extended amount of self-administration for localities. It does not altogether fit in, however, with the complete Socialist scheme of distribution, and the time has now come for a consideration of the relative functions of the municipalities and the Co-operative movement in trading. There is a substantial difference between the municipalization of a tram and a milk supply which makes it easy to classify one under the group of municipal service, and the other under that of Co-operative service, but the boundary can hardly be fixed by any clearly drawn line of principle. For instance, a plentiful supply of cheap and clean milk is so necessary for public health and infant welfare, that no municipality can afford to neglect the matter. The best way seems to be for the municipality to arrange with the Co-operative committee of the district to supply milk of reliable quality, and to purchase from the Co-operators what it requires for its own purposes.

[1]It is worthy of note how in 1921 the milk supply was being endangered and its price kept up at artificially high standard on account of the reckless slaughter of heifers because the market

The whole question is one that ought to be considered by those municipalities upon which there is a good representation of labour, and in whose areas there are strong Co-operative Societies. This basic rule may be laid down. All the ordinary supplies required for individual consumption should obviously belong to the business of Co-operation and should be organized as part of the machinery of distribution, with agreements, where necessary, between the Societies and the municipalities for supply, the municipalities frankly giving the Societies preferential treatment wherever possible, and regarding them as their natural allies in public service. On the other hand, all those public services like gas, water, trams, electricity, which concern the community as a corporate whole, should be under the control of the municipality but be managed in accordance with the scheme of workers' control already outlined. These great changes, however, are not yet, but they should be the vision in front of both the municipalities and Co-operation, and should guide them in their immediate plans and development.

price of cattle was high. Thus one can see how a capitalist interest sacrifices common well-being for its own immediate advantage. A Co-operative Society concerned with the supply of milk could not, and would not, treat its farm stock in this way.

Chapter VI

POLITICAL CONSTRUCTION

STATE ORGANIZATION

THE STATE organized for police purposes, or for purposes of checking the excessive use of economic power, needs but a very simple form. It has its departments of defence which to-day are tripartite—an army, a navy and an air force. Part of this organization is its Foreign Office to maintain peace and to carry on international business in such a way as to promote security. This means a staff of ambassadors, diplomatic representatives, agents and spies, a contact with a League of Nations, an International Arbitration Court. For internal purposes it has to maintain order and justice as defined by law, and it therefore provides police and judges; it has also to levy taxes for an income and has to create the necessary offices and staffs. As the communal spirit grows, and the inter-relations of individuals to each other become intimate and more and more interests arise which no number of individuals separately, and no private corporation of individuals, can look after—like public health, education, general minimum conditions of labour, the preparation of statistics relating to the national life, like the census, the volume of trade and the streams into which it is divided—the organization of the State has to be extended, and thus we have Public

Health, Education, Factory Inspection, Labour Departments, with the necessary subdivisions. A further stage is reached when people begin to think of the community as something capable of serving itself and protecting itself against rivalries and disruptive forces within it. In this way we get departments concerning themselves with arbitrating in labour disputes, deciding railway rates and charges, and a provision of miscellaneous things and services like the delivery of letters and the running of trams is made and State organization adapted accordingly. For these purposes the State becomes differentiated into Legislature, Judiciary, Executive, Administration, and bodies of derived authority like municipalities are brought into being and fitted into the system.

Up to this point, the organization of the State is simple. It tries to express the general will in policy and carries out certain common civic interests of a mechanical and administrative character. Its work as to direction rests upon a general public opinion, and is made effective by a trained civil service and subordinate administrative bodies. State issues are generally raised and determined by political groups called parties, sometimes divided upon questions of principle, as when the great Reform controversies were raging, sometimes only on smaller points of a programme, or upon day to day disputes. Each of the groups, however, appears with historical reputations. They are clans with chiefs, dead and alive, battling with each other as the Campbells and MacDonalds battled, sometimes for good reason, but not infrequently for bad tradition. The issues they raise do not depend solely upon their own will,

but must have something to do with general interests. They can manipulate and falsify, but the material they work upon is popular psychology. What is known as public opinion is the swaying fortunes of the political clans. In the fight there are several groups, the sworn followers, a kind of standing clan army, the enrolled members of the political associations, and the usually detached crowd whose support depends upon the moods of the time of battle, and very often more upon the decrees of the seers as to which side is most likely to win.

The organized political groups could not offer battle-cries that were meaningless, or at which the unattached electors only yawned. Referring only to the two old parties of this country, they represented historical interests—the Conservatives—or new ideas and interests——the Liberals, and by their conflicts the masses of electors got more and more political power, and more and more social or communal interests became the concern of the State. If we omit side issues and incidents the real fight that these fought was whether or not public opinion was to determine State policy. The antagonists may have had an imperfect notion of what public opinion was, and no foresight as to what it would do, or what consequences were to follow. They may even have failed to see what their own words like Liberty or Conservation implied. In the end, it was settled that the supreme political authority in the State was to be the majority of a body of enfranchised citizens, and when that was settled, the political clans settled down to the task of capturing that majority by educative propaganda and electioneering skill. It is outside the scope of this study to detail the machinery and method

evolved to do this. Suffice it to say that, on the discovery that the enfranchised masses included a large percentage of people of but poor judgment and reflective qualities, and that elections were occasions when a purely artificial frame of mind could be produced by artfulness of a kind used by showmen to draw unwilling crowds into their booths, the clan machinery became more and more adapted to such circumstances, the public opinion created for elections was of no permanent value, was, indeed, not public *opinion* at all, and Parliament tended to drift farther and farther away from the normal life of the nation. The election-day mind was *sui generis*, and its product was equally *sui generis*.

This also happened for another reason. Whilst the political conflicts of the last century were being waged in the full light of the stage, in its obscure background other fights were being carried on upon issues much closer to the actual lives of the people than the purely political ones. The Radicalism which was contemporary with the French and American Revolutions was social as well as political. Tom Paine threatened kings and aristocrats, not merely because all men were born free and equal, but because he associated political privilege with poverty, and in the second part of his "Rights of Man," he declared for the abolition of the poor laws, condemned indirect taxes, and advocated a tax upon high incomes from which should be found subsidies for the aged and the unemployed, and also the costs of popular education. In his less-known booklet, "Agrarian Justice opposed to Agrarian Law," he attributed poverty to the kind of government then existing. Every man and

woman ought to have an equal share in the land, and he drew a distinction between property in improvements made on land, which he supported, and property in the natural soil, which he rejected. He proposed that the community should levy a 10 per cent. death duty on land and from the income pay every landless person of twenty-one years of age £15 as compensation, and an annual pension of £10 thereafter. Crude in plan, perhaps, but surprisingly modern in interest and intention. The terrors which the Chartists inspired came not from their political, but their social, programme; they were bogys not because they were people demanding the vote, but because they were the poor demanding political power for the reason that, in the words of Ernest Jones :

> We shall get the land
> Only if we get the Charter.

By stages which I have already described,[1] the discontent of the wage earners become increasingly definite, its causes were more clearly defined, its origin in the defectiveness of social organization became firmly established, and the main features of the organization which would eliminate the inefficiencies of the existing one became fixed and systematized. The function assigned to the State widened as the mass of the people saw that their corporate concerns included affairs like a peaceable and an ample production which they had hitherto been content to leave to chance or individual profit-making. In its general features, the State was changed from being

[1] Chap. III.

a police organization to being one of service-giving. From being only a protector of Society it became an organ contributing to the general health and well-being of Society.

When this happened, however, it was seen that the machinery of a police and taxing State was not sufficient to carry on the work of a democratic State, which was the organization of the great productive and distributive functions of the community. And at the same time, it was discovered that when the body of electors became a great unorganized mass of individuals, grouped into constituencies that were purely artificial, and living no corporate life, elections ceased to be of much value as indications of public need or opinion. The enormous increase in the electorate made under war pressure was like a flood of waters for which no preparation had been made, and which, moreover, came at a time when civic and political life was disrupted, and disciplining and guiding restraints had been broken down. Thus, elections since the war have hardly shown political judgment, but rather the disturbed mentality of war conditions, and during the fortnight or so of the contests the aim has been to make Philip drunk rather than to enlighten and procure the verdict of a reflecting constituency. All that, however, is passing, and the attempts to build up a criticism of democracy on the assumption that the political mind which has been ruling electoral decisions since 1918, is but founding a house on the sands.

The Socialist must be a democrat, for he can discover no other foundation for his State but public support. He cannot trust to dictatorships either of force or fraud, because his Society is kept working and in harmony by

attitudes of mind which are spontaneous and are beyond the power of edicts and the utterances of authority ; nor can he work with those demagogic appeals to a careless people living thoughtlessly and superficially from day to day. He must buttress his State with intelligence, and secure his system in the minds of the people. His democratic creed is not only that every adult should bear the responsibilities of citizenship, but that every adult should be capable of bearing those responsibilities. The sole way leading to Socialism is the way of education, which supplies the human qualities that demand the Socialist State for their satisfaction and support, and protect those working it out.

As a reformer of the political machinery by which the Democratic State expresses itself, he addresses himself to two main tasks. He must adapt the machinery of political government and administration to a representation of millions instead of thousands, for he knows that the larger the electorate the more complicated become the interests to be represented and the difficulties of the representative, and, in consequence, the more subdivided must the machinery of the representation be. He must also address himself to the problem of adapting the political machinery to the new economic tasks of the State, and of adding to it new organizations to enable these tasks to be carried on. I now proceed to consider these two problems.

POLITICAL DEMOCRACY

Democracy can only work by representation. Either in the form of the mass meeting or of the referendum and

initiative, modern democracy would come to a deadlock. It would be such a cumbersome mass that its movements would be too slow to secure internal peace. These direct forms of democracy cannot function in such a way as to impose upon the electors responsibility for their decisions. This is plainly seen if we consider what really happens when any important and disputatious matter is referred to a vote of trade unions, or to a town's meeting. The individual voter is hidden up in a crowd; the leader who is to be responsible for carrying out the decision and who has to bear the brunt of effecting the settlement, and fitting it on to the possibilities of the situation, is severely handicapped by the inability of the mass to do anything but criticize. Adaptive reason cannot be exercised by the crowd, partly because its varying issues cannot be submitted, but chiefly because the crowd cannot employ the processes of balanced judgment to control its will. Thus we have found that in trade union after trade union there has grown up, behind the official representatives, bodies of local leaders free to express opinion without responsibility, who voice crowd sentiments, but who, if ultimately they become responsible, change their minds and policies under pressure of the realities which they rose into office by flouting. These reflections must not be taken to mean that officials alone should rule. That, indeed, would be a sorry termination of the evolution of democratic methods. But they do mean that mass democracy is so unwieldy and must always be so unsuited to the direct excuse of executive power along with responsibility that it is incapable of being the normal way of democratic operation. The responsibility of leaders to the mass must be secured, but democracy

which gives leaders no power will soon discover that it can do nothing. The problem for democracy is how to retain leadership with authority, and yet limit the authority so that it is not a dictatorship.

Nor is the referendum of much greater value or wisdom, and that for reasons similar to those I have just stated. The complexities of modern problems require the examination of details by bodies that can act as committees, that fit them in to circumstances, and that regard them not only as the embodiment of principles, but as adaptations to going concerns. Very very few proposals worth submitting to a popular vote can be settled off-hand by a simple yea or nay. Matters of fundamental importance, like whether the principle of nationalization is to be applied to mines and railways, may be settled by a popular vote. Even this is not nearly so simple as it seems at a first glance, owing to the fact that in the discussion details will obtrude themselves, and the desire for change becomes weakened by divisions of opinion as to how the change should take place—or in other words, from a referendum on a simple issue cannot be eliminated considerations which at best relate to matters of secondary or unessential importance to the issue itself, and thus the die is loaded in favour of a negative decision. The settlement of detail must be left to bodies that can discuss, adapt, and fit in. The most useful and democratic form of the referendum is undoubtedly a vote of no confidence in a Government. The power of censuring a Government ought to be held by the electors. This has become all the more necessary owing to the deteriorated character of appeals to constituencies at elections, and to the fact that, under our

present system of fighting in single-member constituencies, representation cannot be relied upon to give a Parliament which in its work has the support of a majority in the country. This power in the background would be an effective corrective to Ministers tempted to abuse the dictatorial powers given to them by servile majorities in Parliament, and also to followers who, trusting their political fortunes to party allegiance, show a dog-like obedience to the party Whip. A Parliamentary majority can never altogether forget outside public opinion, but it would be none the worse if it never got beyond the reach of the arm of that opinion.

The practical problems of democracy turn largely upon the meaning that is attached to "responsible." If we mean that the elector should be practically the legislator we find ourselves, in the end, pushed into an impossible position. The elector cannot be the legislator. In order to try and put him in that position, we should have to create some such machinery as the witenagemot or the *gemeinde*, and that is no sooner done than we find that the power of action and freedom of decision, which alone can make responsibility real, cannot be exercised for the reasons I have given. Indeed, the machinery we should then have to create is of such a character as to discourage responsible action and banish those frames of mind which characterize committees charged with patient detailed examination and adaptation. A crowd is the most irresponsible of actors for no reason except the sufficient one that it can be nothing else. Democratic responsibility belongs to a different order. It is the responsibility of the body of electors for policy, and policy is embodied in govern-

ments. If electors in a body allow themselves to b misled by cries and promises which in their enligh ened moments they know to be false, they must rea the harvest of their folly. If the constitution makes n provision for a frequent checking of governments, bu protects governments from public opinion within certai defined limits, *e.g.* a Parliamentary life of five year revision may be desirable so that the deluded electo may not be punished too severely, but the fact remain that the nation makes its governments. Further, th apparent power of control and check, which som advocates of democratic forms urge, gives the people i reality less responsibility, because the means of showin it and the circumstances under which it is exercised ar such as to make it ineffective. If we cannot have th substance do not let us have the form, for if we are i that position those who have the substance can use i with less scruple. The difference between power an responsibility is that the one can be exercised by mechan ical means, like a mass or a majority, whereas the othe requires an opportunity for adaptive judgment. Powe can show itself by the forceful breaking down of a wal responsibility can show itself only in a freedom to decid whether the wall should be broken down and hov it should be broken down. Power without an oppor tunity to use it with responsibility is useless, and ma be mischievous. Democracy requires the aid of both and it therefore has to act in two ways—through it mass and through a differentiated function of its mass representative leadership. I am therefore perfectl content as a democrat to regard the responsibility o electors under a democracy as a responsibility for electin

a Government and choosing a policy, and if they were educated to doing that well we should have a true democratic State.

When all is said and done, a democracy must work through a representative system, and its problem is how to make that system fully responsible to it. It has to select the right sort of men—men of knowledge and men to whom public life is not merely a distinction or a pastime, but is an opportunity for service in which their hearts and their interests are. This is the supreme test of democracy's power of self-government. It does not mean that all that democracy has to do is to elect representatives and then leave everything to them. It means the opposite. It means that a democracy alive and intelligent, knowing its own mind and having definite conceptions of its interests, of the Society in which it lives, of the means of securing its own well-being and happiness, having chosen its representative agents will follow their work intelligently, and pursue its own political thinking whilst allowing them the full exercise of their responsibilities as representatives—unless they have become so obnoxious that a censure by referendum is passed upon them.

The system through which democracy works hampers or facilitates the exercise of its intelligence, for systems should correspond to minds, and ought not to be devised solely for mechanical or other kind of convenience. To-day, the minds of masses of men (and still truer is this of women) are necessarily circumscribed. The education they have had has not been a training in intelligence. When they can read, how many can appreciate only the most trivial and desolating stuff. Scott, Milton, Addison,

are as closed to them as though they could not read at all, their own history is unknown to them, and the less seriously their newspapers discuss any matter of real public importance the better chance have these sheets of making satisfactory financial returns to their proprietors. It may seem, therefore, sheer folly and perversity to allow this mass to pass important political judgments upon the highest and most complicated matters of State, and to exercise power over affairs that are very remote from its every-day experience. How can it perform such tasks with credit to itself and with safety to the nation ? When Free Trade, for instance, has to be defended by a spectre of a dear loaf, and Protection recommended by rousing latent prejudices against the foreigner, sound national economy must surely remain on an insecure foundation. When the well-disposed gods look back upon such sandy foundations for States they may well tremble in Olympus. And yet the practical realities are not such as this statement suggests. It is a false statement of true facts, because it implies that the people described are, under a democracy, directly responsible for government. The truth is that the representative institution produces its own trained workmen. A crowd of people with no expert knowledge and no training in capacity to govern can nevertheless secure liberty for itself and safety and honour for its community through its representative institutions, provided that some appreciable percentage of it understands the language of liberty, safety and honour, and that that language finds a way of intelligence. So, the problem comes up again in this form : Can we by the proper use of the experience

of the mass enliven its political interests and intelligence so that we may be warranted in feeling that representative institutions will not fail us? Obviously, we must consider our system of representation in relation to the psychology of the people. If we get down near enough to the fireside and the cupboard, we find that everybody is interested in political affairs. Can we by beginning there widen the horizon of interest, retaining the political mind as we do so, and thus create from the father and mother the citizen of the world? How is that to be done?

One proposal to secure this has arisen partly out of the social divisions and the revolutionary spirit left behind by the war, and partly out of an analysis of the life and constitution of the Society made by a school of academical thinkers. According to it, the citizen with all his many-sided interests cannot be represented by any one man. He can be represented as a producer—that is, as a workman, a manager, a doctor, a teacher; as a consumer, as a member of a party of social reformers, as one of a school holding ideas of foreign policy in common—all separately, but when these are combined no true unity is created, and representation becomes false and inaccurate. I, as an engineer, may have confidence in some engineer in whom I have no confidence as an exponent of education or foreign policy, and if I have to vote for or against him as a political candidate, I am asked to do something which is impossible because, whilst I am willing to vote for one bit of him, I want to vote against another bit of him. Twenty I's are active as a citizen and are represented by voting, but there is no candidate corresponding to that multiple

personality. The conclusion from this is, that for purposes of representation a citizen's interests should be divided into groups or functions, and each of these should be the basis of constituencies from which representatives should be chosen. Thus, the sovereign political State will disappear into a galaxy of fragments. There will be Parliaments or Councils of producers, of consumers, of professional workers, like technicians, educationists and so on. The Russian Revolution and its creation of a Soviet basis of government with a restriction of the franchise to groups declared to be workers, has given this idea a special meaning and importance, and has also given it the vigour of a class political weapon. It is argued that so long as a State represents the existing order of Society with all its parasitic and capitalist interests, so long as it allows those interests to dominate elections and to use all the powers that the possession of great wealth, industrial power and the press puts in their hands, electoral results will always be favourable to that class, and democracy will never be more than a tool in its hands to give effect to its will. Further, it is argued that the complicated nature of citizen representation must rob election issues of precision and definiteness, and so increase the political power of well-organized and class conscious capitalist interests. A vague democratic representation can never be anything but a feeble opposition to very conscious capitalist interests. It is therefore proposed that only those who work should vote and that the parasitic groups and classes should be disfranchised. The constituency will then become the workshop or the Union of professional men, of peasants, of clerks, and the

representatives chosen by these groups will be the governing authority of the State. This programme is admitted to be revolutionary, and to be capable of being carried out only under revolutionary conditions. It is a political consequence of a class war which has broken out into a crisis. It is, therefore, of minor importance to point out how impossible it is to define with any justice what a worker is, or to argue that, if the proposal were carried out, it would deprive the community of the assistance of most of the people who had made the revolution possible; that revolutionary movements divide men not into classes, but into schools of thought and action which separate workman as well as the working class from the capitalist class. It is of no consequence to point this out because revolutions are not conducted by reason and system, but by detached and inconsistent actions taken energetically to meet momentary difficulties, carried through by the dictatorship of force without reference either to long visioned wisdom or justice. All that can be said is that if the calamity of a revolution happened here everything of the nature of representative government would be scrapped; if its forms were retained it would not be worked, and forceful necessity would take its place. A revolution calls for decisive action; only when it is over can its leaders afford to survey and examine critically the means they have used. So much for revolutionary forms.

THE REPRESENTATION OF FUNCTIONS AND INDUSTRIAL GROUPS

The more purely academic theory and the claims made in support of Soviet forms on their alleged merits for ordinary use must not be dismissed in this way, however, because it is claimed for both that they are built up from the nature of normal society and are quite independent of revolutionary necessity or class war ideas.

As to the academic theory of functional representation, I note at the very beginning that its method is wrong. It analyses, quite accurately perhaps, individual interests and social unity into certain activities, divisions and functions, and having completed that work, it proceeds to assume that they separately compose individual and social unity. They do not. The engineer is part of an industrial, a social and an individual whole. He works embedded in a life of much greater fullness than the life of the workshop, a life, moreover, which determines the life of the workshop. He cannot act as an engineer except in relation to the miner, the steel-smelter, the marine, and the transport worker—in relation to the complete productive, transport and consuming unity of which he is a part. Physiological analogy will help us to understand the position. The heart has a well-defined function separated off from all the other organs of the body, and yet it is a dead piece of muscle when it is not in vital co-operation with them. Therefore, if the heart were to be represented in a corporal Parliament, its representative would have to think of it not as an absolute and detached function, but in relation to all the other functions which with it compose the living body. The

representation in such a corporal Parliament could be either of the whole body as a constituency, or of the parts separately as constituencies. In the first case, the representatives would have to remember the health and functions of the component parts, or death would ensue; in the latter case they would have to remember the interests of the parts for which some are not responsible, and *ex hypothesi* cannot be responsible, and also those of the whole body as a going concern, or death would equally ensue. But whatever be the system, neither can be the representation of separate functions; both must involve the presentation of the whole. The representation of engineers or miners in society cannot avoid the necessity of the representation of what may be conveniently called the citizenship of engineers or miners, and consequently the academic school of social analysts provide us with no means of avoiding the admittedly difficult and frequently unsatisfactorily performed task of securing the representation of individuals in the full significance of their citizenship. The function upon which these theorists lay such stress does not exist. It is a metaphysical abstraction. I, as an engineer, electing a representative engineer, must consider my complete social personality as a citizen, and that brings me up against the very difficulties which this academic theory claims that it avoids.

If this argument is sound it is also a final reply to those who build up the representative State from industrial functions, Soviets, but it may be worth while to point out another result that would follow if we allow industrial groups to be the basis of political reconstruction. This conception confines the interests of the workman

far too much to his own concerns, and its psychological influence is to specialize not only industrial but civic and intellectual work and interest. It seeks to put functional interest as the source of civic interest. It thus not only continues the divisive influences of Capitalism, but by placing the motive of political action too low and confining the political outlook too narrowly makes it impossible for social instincts to rise to levels of high social co-operation and endeavour. He who appeals to economic motives only, can never expect to find the rule of moral or social motives either in private or public character; he who bases the State on the workshop or the profession, can never expect to create the civic State. The greatest need to-day is to turn the workman into a man with all the width of mind and interest that that involves. The tendency of functional representation is in exactly the opposite direction. It would translate industrial specialization into civic specialization. The Socialist hopes to make mechanical production—the mere toiling part of life—of diminishing relative importance to the cultural part of life, the part that is true living; and as intelligence increases the demand will be made by the workmen with increasing emphasis. Therefore, we must be careful not to construct a political system based on the assumption that workshop differences are to continue to be so important as they are at present, or that the divisions created by the antagonisms of capital and labour, or the excessive toil caused by capitalist expropriation and inefficiency are to last. That, for instance, a Guild of teachers should control education to the exclusion of all other members of the community is a vilely reactionary and

subversive proposal. Wherever professions, as in the law, have settled their own self-government, they have taken self-regarding views and have ranged themselves in opposition to freedom and progress. However we settle this problem of the well-being of the functioning groups in Society, or of the admitted difficulty of securing an accurate representation of the somewhat complicated interests of a complete citizenship, we must not abandon the view that the citizen should be regarded as the sovereign authority in the State, because this is the richest and widest personality, is, indeed, the only personality, and that the institution or institutions holding the authority in custody should be representative of citizenship and not of factories, workshops, professions, or any function whatever. The problem therefore, remains: How are we to build up the Civic State? How are we to secure a satisfactory representation in that State?

THE CIVIC STATE

We must be careful to remember at the outset of our enquiry that the State is not merely the parliament or the national government, but includes both municipal government and the administration of the Civil Service, and of all those bodies created either permanently or from time to time by proper authority to carry out legislation, departmental orders, Orders in Council and such constructional work. Thus, whilst a labour committee appointed to deal with unemployment, and to see that municipal councils or Boards of Guardians

do their work, is not part of the State, a local committee set up for the same purpose in accordance with the provisions of an Act of Parliament or by a decision of a competent Department, is part of the State machinery.

INDUSTRIAL ADMINISTRATION

If the organization of the State is to extend its authority into industry as is proposed in this book, and if the community is to provide an organization of itself responsible for production and distribution, obviously the administrative organization of the State must be amplified, and new machinery created to allow the work to be carried on. It is this that has compelled Socialists to move beyond the earlier phase of State Socialism, meaning by that the direct control of industry by the political organ working through a bureaucratic Civil Service, and also beyond the earlier Socialist view of Co-operation that the consumer should control production, and consumers' organizations be responsible for factories. These were temporary and makeshift improvisations quite adequate to a time when the simple Socialist idea of communal responsibility for production and distribution had to be popularized, and when Socialism was more a criticism of Capitalism than a movement responsible for proposals which at any moment might have to be carried into actual practice.

The aid which the academic school of functionalists and the Guild Socialists have given to Socialists construction is not the theories they have propounded regarding representation, which are uniformly ba

but the suggestions they have given regarding administration, which have been most helpful. I have already dealt with this,[1] and have shown how, by the association of the workers with the management, production can be carried on by workshops self-controlled so far as internal arrangements are concerned, linked up in districts, supplied with raw material and with all the efficiencies that science and skill can put at their disposal co-ordinated with kindred places of production, and all kept in contact with the markets which they have to supply. Not a few of the thorny questions that have been propounded regarding the relations between the industrial and political organizations of such a State have arisen from a simple error. This industrial organization is assumed to be of a legislative character necessitating Parliaments and quasi-sovereign councils, whereas it is only a machinery of administration, which, though altering the arrangement of the political Departments at Whitehall, does not change the civil character of the State itself, and does not alter the problem of democratic representation. There is to be self-administration in industry, but its powers are to be derived from the political State, and the community, as a last resort, is to impress its will upon the producing and the distributing organizations through the political State. Therefore the problems of civic representation cannot be avoided whatever political or industrial theory one may adopt. It is like one's shadow. It is inseparable from communal life. When the earlier and the later Socialists, from a somewhat similar mistaken analysis, thought that the State was a capitalist institution only, they

[1] Chap IV, especially p. 164 *et seq.*

mistook one of its historical forms for its real and permanent existence.

THE DEMOCRATIC STATE

It is pretty evident that a democratic state institution must be built up from the bottom and not down from the top. We must proceed from the fireside outwards so that contact will be kept throughout between immediate experience and a more remote one, between the definitely known and the more dimly apprehended. Only in this way can we construct a system which meets the needs of reality and corresponds to the intelligence which is behind it and must work it. As opposed to the functional view, I put forward one of social contacts. We must begin to organize the political State from the smallest civic unity which men form, that is the village and town or urban and rural district. The municipal bodies which administer local affairs to-day are mean and cannot appeal to the imagination by reason of their limited powers and the Whitehall red tape which strangles them. They can embark on no great venture of self-government, they cannot build a house or acquire an acre of land, they can do nothing to enliven the local life or make it something in which men may take pride unless Whitehall permits them. A great many of them have none of those powers of judiciary which are so necessary to equip local authorities with dignity and to make men feel that they are living in true community and none have it to a sufficient extent. To remedy this is the first step required in order to enliven democratic intelligence and interest. Until men feel that

community of their town or district, a patriotism of their locality, they cannot feel the community of their nation or the patriotism of their country, and still less those of an Empire. Patriotism then appeals to them in its lower forms of might and power, and becomes a mere heady boast or prejudice satisfying itself in the conceit of wide-flung territory and the bragging of military strength. The patriotism which expresses a share in common life felt and valued is of a totally different quality from that which expresses a share in common power. This latter if the patriotism that "is not enough," that issues in no fine national spirit and no sane political judgment. It is a blinding pride, not an enlightening dignity. Therefore, political education should begin by the cultivation of the tradition, of the locality, and democratic government should be founded on the self-government of the local community. "My fathers' graves are there."

Local governing bodies must be relieved of much of the control of Whitehall. They should be allowed to develop a policy of their own and to shoulder their own responsibilities. It is far better that they should be free to make mistakes and be punished by a democratic vote than be bound to make only the mistakes imposed upon them, or permitted, by Whitehall (whose blunders in local government have been colossal), and be punished for sins which they themselves never committed. Housing should be their own concern; they should be free to deal with the land within their areas and to combine with their neighbours upon a common policy; they should be able to promote classes, lectures, entertainments, recreation rooms; they should have a wide discretion

on matters of education provided they come up t certain standards which the national experience fixes they should also have their own courts dealing witl defined grades of criminal and civil cases and whicl will act, as all such popular courts do, as bodies o arbitration and conciliation and not only of punish ment. Thus we should organize for self-governin purposes the smallest and most intimate civic unity and make the very first and closest contacts of me with each other the source from which are to spring th intelligence, the patriotism, and the political instinct that are to be utilized in the government of the natio both on its domestic and external aspects. When w have our people interested as workers in their labou and vitally conscious as citizens of their local community we have laid well the foundations of the democrati State.

The county comes next. In spite of industria development which has almost obliterated some geo graphical boundaries, the old historical county sti remains as a real distinction in men's minds, and i ought not to be allowed to decay. It had a militar and ecclesiastical origin, and was a unit of governmen and historical tradition. Where boundaries were draw along watersheds or were determined by othe geographical features which in time regulated the ma of transport and communication roads and now delim areas of water power for the generation of electricity the county remains as a convenient administrative are apart from its cultural and psychological values. Thes values, however, I put first. They are part of th traditional stuff required for enriching the politic

mind of our people, and should be preserved. The county is more than an administrative convenience depending for its administrative existence upon that alone. Indeed, I have no objection to admitting that I should sacrifice some administrative advantage to preserve an historical county. It is the first and the most easily grasped unity which is so wide as to contain contacts of the mind as well as of the experience, of history as well as of everyday life. Though unseen, it is still at one's door. The battles fought in it, the movements for liberation connected with it, the personalities who have given it a reputation, its famous places, are of the highest preciousness in creating in the individual a communal and historical consciousness. County history should hold an important place in education and county administration be retained in the scheme of civic government. The duties assigned to the county authorities should correspond to the largeness of the county idea as well as to the opportunities of the county area. They should be the same as those enjoyed by the largest towns. The county should have industrial powers to deal with such matters as water and electricity so as to economize costs and supplies. It should also see that secondary and college education is brought within the reach of all its inhabitants who can take advantage of it, it could conduct larger land experiments than authorities working in a smaller area and particularly could it develop afforestation. Its social administration could deal with the wider problems involved in the more limited village or town duties: for instance, its public health work could be more consultative, scientific and experimental. It should have its courts with a

wider jurisdiction and power than the local ones. There should be no hesitation in giving those authorities the widest opportunities to do work and develop a policy. We do not want uniformity in local administration though we may insist upon certain standards ; we want variety and experience and the study of convenience and efficiency, and the best control for the purpose of producing wisdom is a self-control which admits of mistakes but which also provides an efficient machine for challenging and rectifying them. Heap upon an individual's shoulders responsibility for policies which he sees developing at his own doors and with which his personal experience brings him into contact. This is the only way to produce intelligent citizens.

The next unity of contact is the nation. Upon what constitutes a nation controversy has been busy, and as barren as busy. The historian and the ethnologist produce their confusing "buts" and their exceptions and their paper definitions always lack in precision. The nation as a political unity, at any rate in this country, is a simple thing to define. There is first of all Ireland bounded by the sea, separate in history, irreconcilable in politics, and represented (or, at the present moment unrepresented) in our Parliament by a majority of Nationalists that has never varied much since Irishmen were enfranchised.[1] At its north-east corner is

[1] The representation and constitutional position of Ireland have been changed by the Act of 1922. Ireland is divided into a Free State enjoying a Dominion status, and a Province of Northern Ireland attached to Great Britain, and represented, in addition to a Parliament of its own, in the House of Commons. Ireland, however, remains unsettled, and the problem of Irish nationality

community alien in spirit to the rest known in error as "Ulster," though it is a minority in Ulster. It is a transplanted community which has enjoyed the privileges of a colony in a hostile country ruled by the people from whom the colonists came. Only on grounds of sheer political expediency can the existence of this community be regarded as a breach in the united front of Irish nationality. It is entitled to the protection to which all such minorities are entitled. Because "Ulster" exists, the political nation of Ireland, coextensive with its natural geographical boundaries, is a composite racial union. Then there is Scotland with ancient boundaries not yet obliterated on the map, and retaining to this day in separate legal and ecclesiastical establishments the remnant of its ancient independence. It has a distinct spirit and culture, the complete loss of which would be a loss to the world. Its political genius is not the same as that of England, and if left to itself it would proceed on markedly different lines of advance. The anglification of Scotland has been proceeding apace to the damage of its education, its music, its literature, its genius, and the generation that is growing up under this influence is uprooted from its past, and, being deprived of the inspiration of its nationality, is also deprived of its communal sense. It has no home for its mind except the vast uninspiring halls of empire where there is no genial fireside and no cosy corner for retreat and inspiration. The same is true of Wales, the historical boundaries of which are also still on the

can hardly be considered as having been solved. Great Britain will stand loyally by the Act of 1922, which, if properly worked, can satisfy all the legitimate requirements of Irish nationalism.

map, and the national distinction of which has been recognized in recent industrial, educational and ecclesiastical legislation.

The unity of the historical nationality is of the greatest value in political psychology. Like all good psychological influences it can be abused and perverted until it becomes the worship of a flag, the creed of self-righteous imperialism, and a dog-like devotion to " my country right or wrong." But this baser tin-kettle patriotism is a perversion of national regard just as Munster Anabaptism was a perversion of Christianity. The histories taught in the schools of Scotland have the heroic story of Bannockburn and of the battles that immediately preceded it told in their opening pages, and they proceed both with colour and with warmth to tell the subsequent struggle of the Scots to maintain their freedom against the aggression of England and the domination of the Church. It is staged, perhaps, in heroic style, and is conceived with an eye to pageantry rather than to the dusty detail of Record Offices. But in the story of all striving and untamed peoples, there is an idealism which, however corrupted and overlain, preserves it from meanness and decay and shame ; and it is this idealism which survives and gives national history its value in the making of democracy rich in mind and ripe in judgment. To associate the living generations with those whose action still throw a glamour over history, and to make the association one not merely of accident but of spirit, is of inestimable advantage in the education of a democracy. A people cut off from its own past is like a child brought up in a cold public institution. There is something in birth, but birth is the inheritance not of a few famili

but of whole peoples. The Scotsman of meanest origin has an historical pedigree as rich as that of any Douglas, or Hamilton, or Argyle. This, used not to mark off into separate sanctuaries one people from another after the manner of jingoistic nationalism, but to enrich the culture and enliven the spirits of the co-operating nations after the manner of Socialist Internationalism, is a necessary part of democratic education and should be taken into account in constructing an efficient system of democratic government. Devolution is required not merely because an Imperial parliament must be overburdened by its work and cannot give the detailed and accurate consideration necessary for the performance of that work, but because within an imperial and composite State there are political groups to which the liberty of self-government (limited by agreements as to common concerns) applies, not only as a right claimed by the group itself, but as a wisdom in creating a State machinery which will correspond in its sections to those communal unities through which the individual mind finds an ever-widening kinship and co-operation, and a never-failing inspiration to upright and strenuous endeavour.

Finally we come to the supreme authority of the complete State which in this country may remain as it is now, or become a body upon which the Dominions and the Colonies are represented. The creation of the latter body must mean that the Dominions and Colonies are prepared to accept financial obligations imposed upon them, and to submit to other encroachments in the amount of sovereignty which they now enjoy. This, before the war, and still less in consequence

of it, they show no inclination to do. The Imperial representative body is more likely to remain a purely consultative body, meeting apart from parliaments and at regular intervals, confined to passing resolutions which will be nothing more than recommendations to the parliaments of the States concerned. A more rigid Imperial State than that would be fatal to imperial unity. The only possible or desirable form of Empire is one of self-governing States kept together by the most flexible bonds of historical co-operation, and of common interest.

So far from Socialism disrupting such a group of banded States, its principles compel it to strive to keep them together. A self-governing India in the fellowship of the British Commonwealth would have as much liberty as an India cut off into an independent State and it would reduce the sources from which world conflict might arise. The only question is : What is to be the spirit of that Commonwealth ? If it is to be a military union of domination, no political wisdom can preserve it, because it itself would not be in accordance with political wisdom. If it is the forerunner and the beginning of a world federation of States, more complete in its unity than any League of Nations can be, political wisdom will guide it to its magnificent destiny. The spoils of past conquests can be made the foundation of a world Federation when democracy becomes the inheritor of the spoils. Nor is Socialism compelled, by being true to itself, to refuse responsibility for the weaker peoples known as the native races. Not only do they occupy lands, the products of which are necessary for the enjoyment of other peoples and for world

industry, but they themselves are human and come within the scope of our ideas of both justice and mercy. Capitalism regards them, as it regards white labour, as mere instruments for making profits, for the life and wellbeing of whom it has no responsibility. But whilst white labour can protect itself against capitalist materialism, native labour cannot. The communal economics of Socialism do protect the native, because these economics establish between those who enjoy products and those who supply them a responsible relationship. Only under a Socialist regime can the idea underlying the mandates supposed to be issued by the League of Nations be fully carried out, and the economic and industrial contacts which nature imposes upon the peoples of the highly developed and the primitive States be supplemented by political protection and tutelage. When the Socialist view of human inter-relationship and obligation becomes more widespread, the citizen of the mightier States will understand that the highest form in which unchallengeable power can be exercised is to do justice with tender consideration for those who have no redress if any State cares to do them wrong.

DEMOCRACY AND ELECTIONS

The Imperial Parliament which will retain ultimate sovereignty will represent citizens, and its constituencies will therefore continue to be civic groups. The critics of this kind of constituency call it, in one way quite accurately, but when used for their special purpose, quite inaccurately, a geographical area. Recent developments

in constituency making, especially the last redistribution, have destroyed even the "geographical" area to a great extent, and have established the "mathematical" area. The true description of our present kind of constituency is a number of citizens grouped not into any units of government (though that was a consideration) or administration, not into "geographical" areas (though that, too, was a consideration), but into batches of, as near as possible (at the time of distribution), 70,000. This is subversive to corporate political action. It turns the body of electors into a disorganized crowd and breaks the unity between the local governing groups and Parliament. Electors are thus left with no communal guidance, the constituency in which they are included has no meaning to them. They are encouraged to regard a Parliamentary election as something apart from the administration of the town, the country, the communal group, and if this may appear to be a subtile and intangible consideration, it is, nevertheless, of considerable psychological importance to those who take the view that the sense of national responsibility can spring only from a sense of local community. The mathematical constituency has no appeal to make to the communal mind. It is purely artificial, has no historical background, and can have none. The constituency should be restored to the local governing unit sufficiently populous to be a basis of representation, and mathematical calculations to equalize the value of each vote should come in only to decide the number of members which each constituency can claim.[1]

[1] In the House of Commons to-day the members for constituencies in counties like Lancashire and Yorkshire, with a stron

This means the destruction of the single-member constituency which was a very natural expediency adopted when electoral registers grew in size, and the expense of a contest over a large area became heavy. A limitation in election expenses and the payment of part of them from the public purse, as is now done, makes it practicable to work the larger area, and there is no reason now why local governing units like the city and the county, returning numbers of members in accordance with population, should not become constituencies again. The members returned will represent the area, not corners or bits of the area, and thus will be preserved the representation of self-administrative units.

Were this done, we should have to decide how candidates are to be run, whether individually or on a party list; whether electors are to have one vote or as many votes as there are members to be elected; whether election is to depend upon quotas or on majorities; how quotas are to be fixed.

In the world of representative and elected institutions to-day all these systems are being tried. Some are convenient in working like our own single-member constituency, but not satisfactory in effect; some give accurate mathematical results, but have a deadening influence on political interest, both in and out of Parliament. Every system of voting, like every human

historic sense, preserve a distinct unity even though divided politically. The expression "the Lancashire" or "the Yorkshire Members," is more than a geographical expression. It indicates a union of interest which I have known to manifest itself frequently in both debates and divisions.

invention, has its drawbacks. The best theoretical system would give free choice to individual voters and yet recognize the existence of political organization; it would not be expensive to candidates; it would protect minorities in the enjoyment of representation while testing whether they were of a nature entitled to representation; it would return a Parliament so constituted that it would not only be a mathematically exact reflection of public opinion but a working machine which in its acts reflects the will of the nation. The last two, though generally regarded as one and the same thing, particularly by those who favour Proportional Representation, are quite distinct. The aim of representation is not to reproduce a reflection of every school of opinion on a scale of about one-twenty-four-thousandth the size of its following in the country, but to produce a working will representing them blended into a political creative force. Our system of election up to the war was perhaps as illogical as any in the world, and was open to more theoretical objections than any other, and yet in its actual working it gave results which corresponded to the requirements of good government. It tested minorities and then gave them representation; it was comparatively cheap; it favoured organized opinion as against individualized, sectarian and specialized opinion; it elected Parliaments that could work and carry out policies rather than Parliaments that stuck owing to the presence of groups elected on particularist issues that had to be squared up in order to produce a working majority for the whole. If Parliament was a failure, it was not because the theoretical objections to our system of voting had evil

practical results. But when the war, by fusing parties and ending the political conditions which made the system practicable, brought out in practice the possible evils of the system, it broke down and returned a Parliament which no fair-minded observer can credit with any moral authority if that depends on the expressed will of the electors shown in relation to State problems.

Proportional Representation, with all its deficiencies, alone seems to afford a practical working scheme, and the political parties will have to be left to work out for themselves the various electoral problems which this method will present to them. It will tend to stereotype politics, to diminish rather than increase the representative character of Parliament, to produce governments also less representative than those we now have. But the increase in the size of registers and the revolution in political parties force it upon us to prevent political tyranny securing itself by apparently democratic means. The greater, the incurable and the more pressing dangers must overshadow the smaller, the curable and less pressing ones.

A SECOND CHAMBER

There still remains the question of a Second Chamber, so dear to British habit though so anomalous in the British Constitution. Our British House of Lords from being a chamber of distinction has become a brake upon the wheel of legislative change. Purchased peerages can carry no social respect and no political authority, and therefore the House of Lords as it exists whilst this is being written is doomed. People seek to devise

something to take its place as a watchdog of habit, and of the established interests, as a power, the chief use of which will be to say " No " to the House of Commons. Their task, therefore, is to search about in Society and try to find where, in individual variety and organized interest, that power can be found. Having made their discoveries they proceed to construct their chamber.

Obviously, this is not the right way to set about the business. One understands the principles of democratic representation. The citizens vote, and the declared majority rules during the lifetime of a Parliament. If any further principle has to be brought in, it must not be of the nature of a limitation of this fundamental one, but of an amplification of it. To form people who have inherited or bought peerages into a constituency has obviously no justification in reason. These men and women can appeal to ordinary constituencies. To have special elections from municipal administrative bodies is also obviously unnecessary, because municipal life is already represented. To have specialized commercial representatives with, as a necessary complement, specialized representatives of organized labour, is equally obviously unnecessary, as these interests are included in civic representation, and to specialize them is to set them against communal interests, and the objections which I have taken to functional representation apply. A Second Chamber acting as a corrective to the House of Commons is an anachronism. If it be reactionary, it will not check the excesses and the ollies of reaction ; if it is democratic, it will not check the excesses and follies of democracy. It will act only when it is in opposition to the Commons, and then the

reasons for its acting will have nothing to do with communal well-being or political wisdom, but will belong solely to the lower motives of sectional strife. Socialism rejects the idea that any Second Chamber can be created which at any given time can bring to bear upon public affairs a superior wisdom and a larger view than democratic representation can command. If such a Chamber could be created, it ought to use its virtues for governing and not keep them in wasteful reserve for watching the errors of the House of Commons. Such wonderful wisdom ought not to be a brake, but the team driving the coach!

There may be something to be said for a Senate of men experienced in public affairs—men who have served the State in places of responsibility, and who know the difficulties of government. But its function should not be to legislate, or check, or set itself up as a rival legislative authority, but to revise, co-ordinate, advise. Legislation embodying the intention of the House of Commons, studied not to criticize the policy embodied in it, but to test its form, its phrasing, its machinery, could be improved in precision, and a Senate might do this. If this body also had the power to debate resolutions on public affairs it would be helpful. That is one type of a Second Chamber which would serve a useful purpose within a scheme of democratic government. But there is another possible type and perhaps both might be amalgamated.

The relation between the State and Industry which I have been discussing, suggests the advisability of an industrial chamber of limited authority which will act in the capacity of adviser and administrator in the

industrial activities of the community. I commit myself to no precise scheme for the construction or authority of such an institution. It would represent the interests and activities of production and distribution, it would include representatives chosen by the Commons and the Government, and it would have the status of a great Council of State which could provide Ministers, be in organic relationship with the House of Commons, and be part of Parliament. It would have a constitutional right to concern itself with all industrial legislation, and its judicial committee would settle all disputed points in industrial law. It would control the whole machinery for making industry efficient, and would be responsible for the national statistics and reports concerning production and distribution. It would have direct contact with the National Councils of the various industries and with the distributing organization. In short, it would be the link between the political and the industrial State, and be used by the political State for the work now done by the House of Lords in so far as that is necessary for the machinery of democratic government. A Socialist State would require such a body, and the working out of the details of its constitution, powers and relationships is only a matter for the practical intelligence of experienced people. It would meet all the legitimate political requirements of the functionalists and the Guild Socialists, without involving the community, in the confusion which would follow the adoption of their fanciful political structures.

REVOLUTION AND DEMOCRACY

When we have surveyed all these difficulties we must perhaps confess with Bolingbroke in the end that: "Every system of human invention must be liable to some objections; and it would be chimerical for us to expect a form of government liable to none." It is sheer folly to search for perfect forms that themselves will produce perfect results. Democracy is an affair of intelligence not of form. It is the rule of the people, but if it is to have any qualitative results it must also be the rule of intelligently responsible people. So, in discussing its problems, we must come ultimately to the bed rock question: How much will the intelligence of the democracy bear? Is democracy in fact free to operate within the modern State or is it absolutely fettered by its conditions? For unless democracy can defend itself against demagogues, cheap-jacks and other types of perverters, and unless it is free to exercise its creative will on social institutions, no mechanical system will provide the required defence, and no majority will give it the power to rule. These considerations have, owing to the revolutionary influences of war, marked the starting-point of a new propaganda against democratic constitutionalism which has been directed with special assiduity within the Socialist movement. It urges two major arguments: political democracy must always be dominated and controlled by the capitalist system in which it works, and in terms of which it must think when using political methods, therefore, by political means and within the system of capitalist constitutionalism, democracy can never transform the Capitalist State

into anything that is beyond Capitalism; and, the method of civic representation by geographical or communal areas will never permit a specific and organized attack of the industrial workers upon the economic system, because by this method representatives cannot be elected upon definite and dominating economic issues. In accordance with this reasoning, the Soviet (that is the industrial factory or workshop unit) basis of representation and government is the only one which will enable the working-class to join in conflict with the capitalist class, and thus help Society to evolve into a State higher than that of Capitalism. From this it also follows that the Socialists who still believe in democratic Parliamentary action are, whether they know it or not, the supporters of the capitalist system against their own professed opinion. There is the division between Communism and Socialism. Communism predicates a sharp and a definite break in evolution brought about by a revolutionary act of force, a transition period of violence and dictatorship, and the establishment of the new order by revolutionary action and decrees. Thus it matters not to the Communist whether his State is under the authority of a Capitalist or a Labour or Socialist Government. It has been laid down for him in his Moscow decrees, and he has replied in innumerable manifestoes issued by his organizations in many countries, that Communism must pursue in all States extra-legal methods aimed at the violent overthrow of every government except his own dictatorship. He frankly adopts every weapon of tyrannical governments and justifies himself by the end he is striving for.

This has presented very troublesome and unpleasant problems to the various Socialist Governments established since the war. In Germany, a Socialist Government formed by the Majority Social Democrats was faced by a Communist conspiracy, armed and revolutionary, determined to overthrow it by bloodshed. In Georgia and elsewhere, Socialist Governments have been faced with the same opposition. To deal with it by counter propaganda, to give it a free field for discussion, and allow it all the rights of a party holding opinions and desiring to increase its influence, does not meet the difficulty, because this party has no intention of increasing a minority until it becomes a majority. Its purpose is to arrange for an armed revolt and the establishment of a dictatorship by which it is to wield in the name of the proletariat, but without reference to the proletariat, the authority of government. Free speech does not come in here at all, because when a party in power justifies itself in holding its power against the majority, the condition compatible with that is a state of siege. Under democratic and constitutional government, some people may argue that free speech is a danger to civic tranquillity, but even then its suppression cannot be justified; it is quite sufficient to make the speaker subject to the law. But the issue which the Communist parties in States like Germany and Georgia raised was not that of free speech, but of free action for bloodshed. Faced by that, a Government has either to prohibit or resign and refuse to carry out its responsibilities. In the tumult of controversy and action that ensues the defending Governments generally make unfortunate blunders—and even worse—as Noske

did in Berlin, whilst the Communists, bruised by the heel of authority, denounce their opponents as the enemies of a liberty which they themselves have condemned in their propaganda, and do not for a moment intend to grant should they succeed in establishing their dictatorship.

These problems, however, do not arise when nations are pursuing a normal course of evolution by political conflict. As a rule, when revolution disturbs a State, the governing authorities are as much to blame as the actual agitators and leaders of the revolution. A revolution is made when social structure and authority suppress vital forces moving in Society—prevent the sap circulating in the cells producing new buds bursting out into leaf, and flower and fruit. Thus it was with our own great revolutions. Of the revolutionary Reformation in Scotland it has been written : " The new departure was due to the widening scope of thought and action in almost every sphere of human existence." [1] As a preliminary to a period of English history in which a similar revolution was included, it has been recorded : " The paths trodden by the footsteps of ages were broken up ; old things were passing away, and the faith and the life of ten centuries were dissolving like a dream . . . All the forms, desires, beliefs, convictions of the old world were passing away, never to return . . . In the fabric of habit which they had so laboriously built for themselves, mankind were to remain no longer." [2] So was it in Cromwellian times, when the rigid and

[1] Hume Brown : " Surveys of Scottish History," p. 24.

[2] Froude : " History of England," i, p. 62.

unbending notions of personal sovereignty had to be broken by the spirit of the time in arms. So was it of the Revolution in France. "The bourgeoisie had studied the writings of the philosophers and economists, and had lost its deference for the priest and the noble. It longed for a share of power and consideration proportionate to its talent and culture." But it was thwarted. "With these partly selfish motives for desiring a thorough reformation there mingled beyond doubt that generous and humane enthusiasm which was so widely spread through France in the latter part of the eighteenth century."[1] Revolution is not the mark of progress, but the mark of the temporary check of progress.

A war, however, is itself a parent of revolution. It shatters the authority of order and reason; it destroys the channels through which progress runs and turns a fertilizing stream into an inundation; it places the passionate emotions in command of conduct; it accustoms people to behold the effect of violence and to trust to it to reach goals swiftly; it teaches them to seek only overwhelming and absolute issues. In the conquered countries old political institutions go and brand-new ones take their place comparatively free from the hampering ways of those they have displaced. These become beacon flames to disturb the rest of the world. Above all, famine and economic unsettlement come in the wake of war, and are the parents of the revolutionary spirit moving in Europe to-day. The percussions of the war cracked not only the thrones of beaten monarchs, but the civilization of the peoples. Just as from the

[1] C. F. Montague: "Cambridge Modern History," VIII, p. 61.

mental stresses of the terrible time of sufferings
numerous weird superstitions, mysticisms, credulities
arose, so from the economic and political stresses of the
immediate after-period, many miraculous and quick
ways of social regeneration appear to open up, and
guides with wild eyes and flaming torches beckon mankind
to walk along them. They seem to many to be good
and they renew the revolutionary spirit and prevent men
from becoming faithless and servile for lack of heart
They revive the wandering longing after ideal things
and make men lift up their eyes to the hills on the
horizon, where visions are always to be seen, and from
whence cometh their aid. They also, by reacting upon
fear, strengthen the reaction and so embitter the struggle
between what is and what is becoming. But whoever
seriously believes that revolutionary movements are
likely to overcome the political habits of the masses
of the people of this country are rather credulous than
wise. The economy of such movements here is that
they keep politics from stagnating ; they forbid the neglect
of really pressing grievances ; they compel us to keep
vigilant eye upon ideas and principles lest they should
continue to be our guides after the life has gone out of
them. This may give over-timorous people cause for
nerveless fear and may drive short-sighted politicians
into a policy of repression and counter-violence.
that direction danger lurks. Political and social stability
can only be maintained amongst an intelligent com-
munity by a courageous consistency in ways of reason
and no people will respond more readily to this than
the British, nor will any people in the long run resist
more persistently against the opposite method.

change that is permanent must be a change of consent, therefore constructive Socialism must proceed upon the assumption that the representative authority of citizens must be the means of registering and embodying in social and political structure the economic changes necessary to give the community command over its own sustenance and liberty.

Chapter VII

SOCIALIST SOCIETY

THE MOTIVE TO WORK

FINALLY, IT is necessary to indicate, however imper
fect the outline may be, and however subject to revisio
and adaptation may be the details, the bonds which wi
keep a Socialist Society together, and the impulses whic
will prevent it from becoming mechanical and so stagnat
It is also requisite to indicate reasonable grounds fo
believing that the changed conditions will produc
changed motives, otherwise Socialism remains a Utop
for it has to be admitted that if men carry capitali
motives into the Socialist State, that State will n
work.

In the very first place, it is necessary to consider wh
motive to work Socialist Society will afford, for
production fails, everything fails. I refer my reade
to what I have already written upon this in the secti
on Production, and I need do little more than summari
it here. Capitalism claims that its motive is the desi
to possess property. That obviously can apply to
very small section of the community, because, as I ha
shown, property beyond the most insignificant savi
upon weekly wages, not only small in amount but
no great certainty, is unknown to the mass of the peop
The person who controls capital, uses it to increase

wealth, but that statement is not the same as that he uses it to increase communal well-being; the mass of the workers work that they may be able to live from day to day. They are literally driven to the factories by the whip of starvation. Of them it is true that he who does not work cannot eat. This whip will be wielded under any form of Society, for what is consumed must first of all be produced. But it seems clear that the production which a community requires cannot be procured by forced labour. When labour becomes educated until it acquires self-respect and self-knowledge, and when men combine to look after their own economic interest, work done under the whip of physical necessity must deteriorate both in quantity and quality and must increase in repulsiveness. In relation to drudgery, the intellectual man is hostile. When the worker understands distribution, profits and dividends, he becomes a more and more unwilling part of the industrial scheme, and the idea of "working primarily for the advantage of another" makes him withhold part of himself. He is like a man shut in by a wall over the top of which he cannot see. He is closed out from the motive of communal service. His circumstances compel him to see nothing but the antagonism between his and his employer's interests, and from this he cannot escape because it is at his elbow all day long. He is therefore prone to consider wages as his first and last concern, and labour as a task not for producing wealth on which he shares, but for producing profits which he desires to absorb. He can see Society only in its class aspects. Therefore when we appeal for a generous production in the communal interests, language is used to express

ideas which are quite foreign to workshop psychology and the response is not forthcoming. So much is this true that when the workman becomes a public servant he is blamed for employing "the government stroke," which means that he takes things easy. When that accusation is well founded, its explanation is not that public work must always be done less efficiently than private work, but that under present conditions the bureaucratic control of public work is sometimes careless or weak, that the whip of necessity is not laid on men's backs in the public service so ruthlessly as in private service, and that (and this is the most important of all) men take into public service the psychology of the forced labour of the private workshop and are influenced by it under conditions which give it a somewhat greater freedom for action. It ought to awaken a more imperative obligation, but Capitalism has stunted the sense of that obligation and it is not available. The idea of working for another person's profit vitiates all labour done in a Capitalist State, and no oasis of a higher service morality is left in the worker's mind. Moreover the difficulty of establishing such an oasis is made all the greater from the fact that in so many respects the lower strata of public service have been treated no better than the same strata in private service. This is borne out by a study of the conflicts with labour in the Post Office.

This is a major failure of Capitalism. It cannot provide a motive to work when men have gone beyond the state of passive obedience. Before the war there were many signs that the capitalist motive for work was breaking down, and that forces were gathering

within the ranks of labour which were bound to issue in a great challenge to capital as labour's owner. Education was spreading amongst the younger workmen in the engineering, mining and transport industries, industrial history and economics were, in particular, being taught to them. The workmen were beginning to go to the factory under protest against the system of which they were a part, and in a hard business way were regarding their work as an unjust bargain made between themselves and Capitalism, to be fulfilled only up to the letter. A system run in this way must come to grief or at best remain totally inefficient and inadequate. The war strengthened this sense of resentment. The nation's experience of Capitalism during its times of stress did not add to its respect for Capitalism; the exploiting example that Capitalism gave to labour was not good; the workman learned what power he had; the conditions of the peace settlement showed how rich was the harvest of victory assigned to and claimed by capital, and how scanty was that offered to labour—so much so that it became a common thing to attribute the whole war from beginning to end to capitalist influences; during the war there was a levelling of economic classes and an establishment of equality—not of a uniform, but of a varied and essential service. On the political side, this secured the vote for women; on its industrial side, it meant unsettlement, resentment and a disposition to fight Capitalism on any pretext.

All this means that the capitalist motive is of lowered value in production, and that the whip of physical necessity will get less and less out of workmen and will certainly not restore to the remnants of this generation

or to the next the will to work which war conditions did so much to deteriorate. The whip had a certain influence on the workers' physical energy, it had none on his moral or intellectual energy. But the will to work in an intelligent body of workmen depends upon moral and intellectual impulses, and, when Socialism claims to be a better system of production than Capitalism, it has to make its case good by explaining how it can command these impulses better than Capitalism.

In the first place, private profit disappears and its divisive effect upon labour's mind also disappears. But will work of a factory character still remain distasteful? Will workmen use their new powers to reduce it to too low levels? Everything points in the opposite direction. Men on the whole do not dislike work, however much Capitalism may have succeeded in deteriorating them. They dislike prolonged task work, they have no great interest in work which means profits to others, and in the payment for which they believe they would be cheated if they did not look after themselves; they can have no heart in work which they cannot improve, and upon which they are not encouraged to exercise their brains. In spite of that, however, the man who takes a real interest in his work and does it in no casual way, is far more common, and has survived capitalist influences in far greater numbers than the critics of the British workman are willing to allow. It can be fairly assumed that the requisite production will require less work energy when the parasites who live upon it are cleared off, when science, now only in its infancy, is applied to it, and when the relation between science and production is more intimate than is possible

under Capitalism, when the brains of the workmen are enlisted with those of the management and of the scientist to make co-operating labour effective. This will not only reduce the wearisome task features of production, but will bring into the work places a more vigilant labour energy and intelligence. Then, when in addition, the psychology of communal co-operation has displaced that of capitalist interest, especially as the younger generation takes the place of the older one, the moral impulse to do one's unstinted best comes into play and both the will to work and the habit to work are complete. When finally, the workmen are in control of the workshop as I have already described, shirking will not "be paid for by employers,"[1] and will not be a fault in which fellow workmen believe they have no interest. The work undone by one will be seen to mean the poverty of all, and thus the economic pressure will come from fellow workmen, and the system will provide its own driving force. It is therefore not unreasonable to conclude that the Socialist system will provide the incentives to work which Capitalism can never command, but which are now required to take the place of the whip which irritates rather than spurs on.

PROPERTY AND LIBERTY

Capitalism has not only falsely appropriated the winning of property as its justification for its system of production, but also for its system of liberty. It

[1] This is a wrong idea, but is invited by the conditions of capitalist industry.

argues quite rightly that liberty must have an economic foundation. The thorough-paced tramp who sleeps on the roadside or in a barn may declare that he enjoys liberty because he owns nothing, and conversely the man of much wealth may feel the imprisonment to which his property condemns him. And yet, the tramp is free because experience makes him confident that he can beg or steal the property of others, and be able to use it as though it were his own, whilst the imprisoned rich suffers from a superfluity which deprives him of the liberty to use his wealth. A free man must have command over things essential to his physical and intellectual life, and this is just what Capitalism denies to the great majority of the sons of men, and on the other hand he must not be so burdened by his possessions that they rob him of freedom. Some wealth is a treasure ; much wealth is a burden. Capitalism, also, by enabling property to be acquired without service, or out of all proportion to service, exposes it to the critical intelligence and deprives it of moral support. Thus an attack upon property to-day may be repelled because the owners of property wield an influence upon opinion which enables them to defend their interests by the same means as a political party wins an election. But this is a precarious protection. The mass has no interest in property and no respect for it, but it can be swayed in obedience to the wires which property can pull, and the irrationalities which property can spread. The real security of property is when it is held by virtue of service. Then the tramp will become a workman because the charity on which he depends will not be given. He will then be known to be the creator of his own misfortunes. Nor will the property

owner be imprisoned, because property thus acquired will never be sufficient to become a burden; and thus held will never be subject to attack, because it will be known to have no title deeds but those of the services rendered. Property will be enough for its purpose—the liberation of the individual personality and its clothing in culture, and it will be secure. In its more accumulated forms it will be held in common as parks, libraries, picture galleries, museums are now, but representative parts of it into which personality can retire and be alone like gardens, books, pictures, small but choice private collections, will be held for personal use and enjoyment. Thus property will be held in such a way as to fulfil its functions and receive the assent of the whole of Society. There will be no need of great embarrassing individual wealth; individual character will take its place. Industries will supply their own capital, the community will procure the rare and the beautiful things, the individual will not be threatened by undeserved poverty and hardship. Life will be the wealth that men will seek, and the considerate and affectionate parent will enrich the qualities of his children rather than endow them with the hazardous possession of things. Values will be changed and though sought after will not be material. And when the community so organized, consciously moulds the minds of the young and turns their faces towards desirable goals, as it can do in its education, it will put ideals of service and the communal spirit before them without the hesitation which must now be felt, because in a Society governed by materialism these finer minds are doomed to a life of unsatisfied strife, a prolonged existence of failure (as

men see it), and a kicking against the pricks. Only a very courageous parent to-day will teach his children to pursue the things of the spirit and not those of the flesh, and he will do it somewhat in the frame of mind in which Abraham led Isaac up Mount Moriah.

By prolonging the tasks of toil until they absorb the whole of men's energies, Capitalism decrees that leisure has to be largely a satisfaction of the lower appetites and an exercise of the inane and sensuous; it condemns the toiler to a life but midway between that of the brute and the man, and makes him a credulous and unreflective believer, a spectator in displays, a reader of snippets, and a patron of the most devastating melodrama (when it is no worse) in "the pictures" and on the stage. When it gives wealth it gives vulgarity, because, when the mind cannot use its possessions, the possessions have to be shown for their own sakes. Upper Society in a large industrial centre which I know with some intimacy is graded into sub-strata by the cost of its dinners, and I have heard families classified quite seriously into two or three-guinea sets. That is why Byzantinism is the first stage in the decay of nations. A nation becomes Byzantine when its riches are too raw or too plentiful for its mind to absorb, and when its material prosperity and interests crush down its spirit and culture.

So long as property is the reward of service it is both an expression of, and a medium for expressing, liberty. It was thus in the early stages of Capitalism. But when property becomes self perpetuating by affording the means for the holders to exact toll upon production, it destroys the liberty and loses its social defence. When

labour urges capital and pays it its market value, property is defensible; when capital uses labour and retains as its reward the maximum share in the product upon which it can keep its grip, property is devoid of a sure defence. Socialism rectifies this evil evolution of the powers of property from service to exploitation, and, restoring it to the performance of a social function, also restores it to being an aid to liberty and makes it conform to the reasons by which it is properly defended. Unless this is done property will continue to be the cause of social unsettlement and the class resentment; it will control labour and be regarded in consequence as an enemy; it will obstruct all fundamental improvements in the industrial system; its rights will be social wrongs. Socialism, by relating property to social ends and values, does not destroy it but establishes it; it discriminates between the property held for pure exploitation and that held as the result of service and declines to mix up both in one class of thing as though they were one and the same, and as though the former could be defended by the same considerations as defend the latter. To talk of abolishing property is folly, and those who think that Socialists do so only betray an ignorance of the matter. But the "rights" of property have to be earned, and social utility is the only test. The Socialist system of property holding will come up to that test.

THE TRANSITION

A transition from the Capitalist State to the Socialist one must be beset by grave risks, and during it cautious

guidance is required. The habits of the old stifle or pervert the growth of the new. The first won liberties and advantages have to be used by a generation brought up and starved by the old conditions, and the men who gain them naturally regard them as prizes wrested from a class who monopolized them. So, just as it is the most difficult thing in the world for a people passionate in their triumph after military victory to settle peace, because when the hated enemy has disappeared from the field he still devastates in their hearts, so it is difficult for a generation that has become possessed of liberty as a trophy of battle to use it positively for its own advantage. The strife and opposition by which it was won, the methods by which those who exclusively possessed it used it, are too dominant in the minds of those who now share in it. The new users have been habituated to old ways of thinking, and the only models they have had placed in front of them are those who have used their privileges so badly. Who is to blame the workman who, having been brought up to regard the wealthier section of his neighbourhood as his betters, attains to some liberty and income and proceeds to show by his use of both that even when opposing that section his heart was doing homage to it all the time ? Hence " the Government stroke." Men must have their fling backward before they take their step forward. They imitate before they discover. I therefore fear the moral failure of the transition rather than any social or political revolution. But obviously we ought to go on rallying the best elements with strenuous labours. When Luther proclaimed the Reformation, Europe had to suffer excesses before it settled down to its new liberties ;

when Cromwell broke the political fabric of tyranny, England had to endure the vagaries of visionaries before it enjoyed the peace of Parliamentary government; when France proclaimed the Revolution it had to shudder through its terrors before it became established in its political freedom. Someone will write similar sentences of the times we are now going through, but now, as then, our existence depends on going through and not in running back. The transition from Capitalism to Socialism, even if it be not submerged in the wild waters of a revolution, will be attended with much to dishearten the pioneers. Who, to-day for instance, can justify every demand that labour may present, or look with satisfaction on every use that it makes of its opportunities? I certainly do not, and I know of no Socialist who does. At best we can regard them with a generous and excusing historical eye, for the child of the wind is the whirlwind. Those classes whose conduct and example are being copied have no right to condemn even if the copy may too often be a crude caricature.

In Socialism are the ideals which will protect Society against the perversions of the transition. For Socialism is not fully explained as the revolt of labour against Capitalism; it is a conception of Society in which the antagonisms from which that revolt arises are harmonized. Did Socialism only mean to put Labour in power so that grouped working class interests could pursue the same self-regarding policy as capitalist interests have pursued, gloomy indeed would be the prospect. It is true that in the imperious conflicts which divide the workman from his employer in present-day Society, Socialism has to take sides with the forces that are making for the new Society;

but it is above the conflicts in spirit, and it is steadily infusing into both sides the creative desire to get beyond present divisions and reach a state in which all service will be done for communal ends by men who feel the community in their hearts and know that its wealth means their own wealth. Thus it is, that Socialism which frowns at Capitalism and would transform it, frowns equally upon those in the transition period who use their new liberties in the frame of mind of the old order. For this very reason, Socialism lays itself open to a heavy attack from the defenders of the present system, who rally to their standard all those appetites and desires that want no new moral obligations—the public house, the betting fraternity, the pleasure and contentment of the man-animal. The alliance against Socialism is too often—certainly not always—material interest and the minds to which life is but a uniform vacuum and an insignificant inanity. Therefore Socialism can only move men by education and moral idealism ; its sound economic criticisms of the classes must be used as logs by which the fires of moral enthusiasm are kept blazing ; it takes no part in a purely horizontal tug of war between the working and the capitalist class, but is a Plutonic force beneath both heaving them upwards. Or, the case may be put in another way. Socialism does not create the strife, but regards it as an historical stage and hurries it on to its completion in a new social synthesis. When that is understood, we can see how little the perversions of the transition period are in accord with Socialism, and how much the Socialist regards them as dangers by the way which must be hurried past with all possible expedition. Its goal is a

new spirit of service and a form of social organization which will not be alien to that spirit.

It does not regard the transition as being of necessity a time of revolution as modern Communism does. The failure of Capitalism will show itself more and more by deadlocks with labour and continued sacrifices imposed upon the community. But Socialism does not seek such things. Its task is to transform a state of society in which capital controls labour and industry into one in which labour and industry control capital. For this, Parliamentary power is essential, as, for instance, for the transformation of the mining and railway services. But it is not enough. Industrial changes must also be made. Management and labour must be co-ordinated; the workman must claim greater interest in his work than that of a wage earning agent in production; the claims of labour in industry—for instance, that unemployment should be a charge upon profits just as idle machines are—must be amplified and made equitable; encouragement must be given to such enterprises as the Building Guilds wherever trade conditions allow them to operate; the movement of Co-operation must be brought more into the working of the economic system; the tolls taken by land and capital must be reduced by taxation and spent on public welfare; and, on the political side, municipal powers must be greatly extended. These things must be done systematically and as parts of a well understood and comprehensive policy not of patchwork but of reconstruction, not of reformism but of transformation. Thus we shall go through the transition period.

SOCIALISM A FULFILMENT

When economic and material evil is recognized and armies are engaged in fighting it, moral battalions have to be hurried up not only to secure the victory, but to settle the peace. The war cry for the opening of the fight may relate to the injustice of the sharing, the peace idea after victory must be the universality of service. So, if we are to create a community of public service as the condition of individual freedom, we must begin by looking at things from a new angle. Class interest and class distinction colour everyone's thought to-day—more to-day than ever. The Socialist seeks to educate into community and co-operative frames of minds, so that people will think of their partners in different fields of service, rather than of their subordinates, or their employees (whom, erroneously, except on purely personal service like that of a valet, they imagine that they employ). Such a change in thought will lead to a revolution in social organization right from beginning to end—from class relationships to workshop control. It has begun. It may be hampered, it cannot be dammed back. The Socialist State is already appearing within the capitalist State. Its creative force is an intelligence which can conceive of organized communal service, not as a purposeful exercise of sacrifice and moral strenuousness like the discipline of a religious fellowship, but as an ordinary grouping of human effort for production, for distribution and for culture. The workman in the workshop managed as I have described will work better, not because he exercises more strenuously an exacting moral consciousness (though I hope that in time he will

do that), but because in the freedom of his work he is part of a more perfect machine and belongs to a system more coherent, more economical, and more responsive to common needs than the present. That organization alone can give civilization any meaning is true on the one hand, but on the other it is equally true that only as civilization determines the nature of the individual intelligence can organization be adapted to civilization's ends. The Socialist conception of a working Society combines both views. If there should appear to be any Utopian idealism in this, it is only because we use minds stiffened by the imperfect exercise of the past to understand the changes that, manifesting themselves already around us, are the beginnings of future conditions. When the Socialist is met by the argument that his Society is impracticable, his reply should be made on a double line. In the first place he should insist that he uses no single motive that is not now in operation, and makes no demand on imaginative possibility that cannot be supported by actual experience, and he can insist still further that the motives he trusts and the assumptions he makes are those which in actual tendencies now are growing and not decaying. The construction of Socialism is a development of tendencies already in operation. The Socialist scheme of society is not a dream fabric spun from a belief in " the good man " or " the divinity of human nature," but the completion in idea of social patterns whose outlines are already appearing in Society. If the Socialist believes in a scheme in which " the good man " has an essential part assigned to him, he does so simply because he sees the scheme growing up under his very eyes, and because he knows that if such evolution

is not to be perverted by the interests that rule—is not to be strangled as the young and innocent heir of a fortune which the guardians covet for themselves—reason and organization must protect it, clear encumbrances from its way, and make men's minds hospitable to it. When considering the practicality of Socialism the thought in critical minds should not be therefore, "Can the nature of man bear such a change?" but, "Is the change in its completeness being foreshadowed and announced by what is happening now?" I believe that I have shown that it is, and that constructive Socialism is not a remaking but a fulfilling. That is the reply of the first kind. The reply of the second kind is that if a system like that of Socialism is not adopted, Capitalism will be found to give no peace and no security, and the failure of communal organization will result in continued social discord and moral deterioration.

When we have visions of a Society, organized for its own comfort, so consciously felt by the individual that his life is part of it, an inter-relation of co-operating services devised and kept going by human intelligence, we indulge in no Utopian dreams. In such a Society, there may be ignorance, there may be poverty, there may be crime, there may be unsocial conduct, there may be a mass of unhelpful acquiescing indifference, but they will have a different significance from what they now have, for the organization of things will invite the co-operation of minds, and the activities of the State in all its forms will draw out the social instincts. To begin with, the atmosphere and the bent of education will nourish and direct the child's mind in citizenship. Youth will go out into the world with some notions

of duty and conduct, and will take its place in an organization of service in which it will set its ambitions as naturally as it now sets its ambitions in Capitalism. Muscle, head and imagination will co-operate knowing that each is necessary, and unimpeded by differences in education and culture in making friends with each other. Living conditions will be more equalized by the abolition of sordidness at the bottom, and of vulgar wealthiness at the top. The middle will expand and all that makes class distinction will disappear because it does not belong to the nature, but to the circumstances and the training, of man. Public service is as easy as private service, and far more inspiring once the mind is turned in that direction and taught to make its assumptions in relation to the changed system. The confusion on this point to-day arises solely from the fact that what is called "public service" is not public service at all. It is only employment under the State; it is not co-operation with the community; it is done in a capitalist atmosphere of self-interest; from it, the moral consequences of co-operative effort cannot arise. So long as men working in a society of economic inequality and social class are asked to concentrate their minds upon *tasks* they do but stinted work; when in a state of more economic equality both as to possession and class, they will give *service* for their share in the common wealth. Even now in many of our municipalities where the employees are well treated, and where Labour dominates the Councils, better service is given than where the old-fashioned relation between employer and employed is maintained, and the experience of the Building Guilds supports the same conclusion. There-

fore, one is perfectly justified in claiming that a Socialist Society, completed by stages, is a Society based upon human motive and conduct as we now experience it and upon economic and industrial change as we see it in process of evolution at this moment. True, our Socialist plan is conceived by an effort of the intelligence, but of the intelligence not searching the clouds but scrutinizing the life movements in Society to discover their meaning and direction. What other way of safety and wisdom is there ? The complaining voice of the sluggard who would soon allow his roses to return to briars and his cultivation to run to thistles, will not prevent such scrutinizings ; the marshalled opposition of mass habit or of class interest will not imprison the mind of men on a pilgrimage for justice and reason ; the risks of the unknown will never discourage exploration and final settlement. The minority will always be there and with the minority is life. However substantially man may build the houses where he shelters his body, his mind like a Bedouin will dwell only in tents which it strikes with the morning light. All we can strive to do is to see to it that we enter upon no journey onwards without a rational plan and purpose, and without practical intelligence for our guide. The Socialist can claim that he has taken that precaution.

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